STABILUS

SEIZING OPPORTUNITIES WORLDWIDE

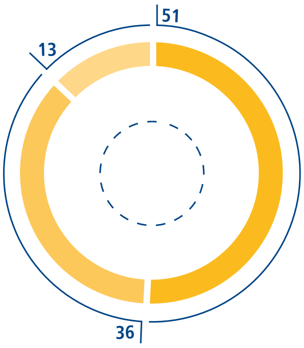
ANNUAL REPORT 2018

KEY FIGURES

IN EUR MILLIONS	Year ended Sept 30, 2018	2017	CHANGE	% CHANGE
Revenue	**962.6**	910.0	52.6	5.8%
EBIT	**131.9**	118.4	13.5	11.4%
Adjusted EBIT	**149.3**	137.6	11.7	8.5%
Profit for the period	**105.4**	79.2	26.2	33.1%
Capital expenditure	**(47.5)**	(45.1)	(2.4)	5.3%
Free cash flow (FCF)	**100.2**	77.8	22.4	28.8%

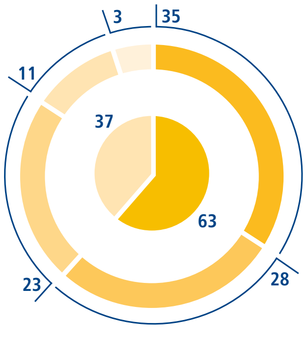
EBIT as % of revenue	**13.7%**	13.0%
Adjusted EBIT as % of revenue	**15.5%**	15.1%
Profit in % of revenue	**10.9%**	8.7%
Capital expenditure as % of revenue	**4.9%**	5.0%
FCF in % of revenue	**10.4%**	8.5%
Net leverage ratio	**1.1x**	1.5x

Revenue by region
(Location of Stabilus company)



51% Europe
36% NAFTA
13% Asia / Pacific and RoW

Revenue by market



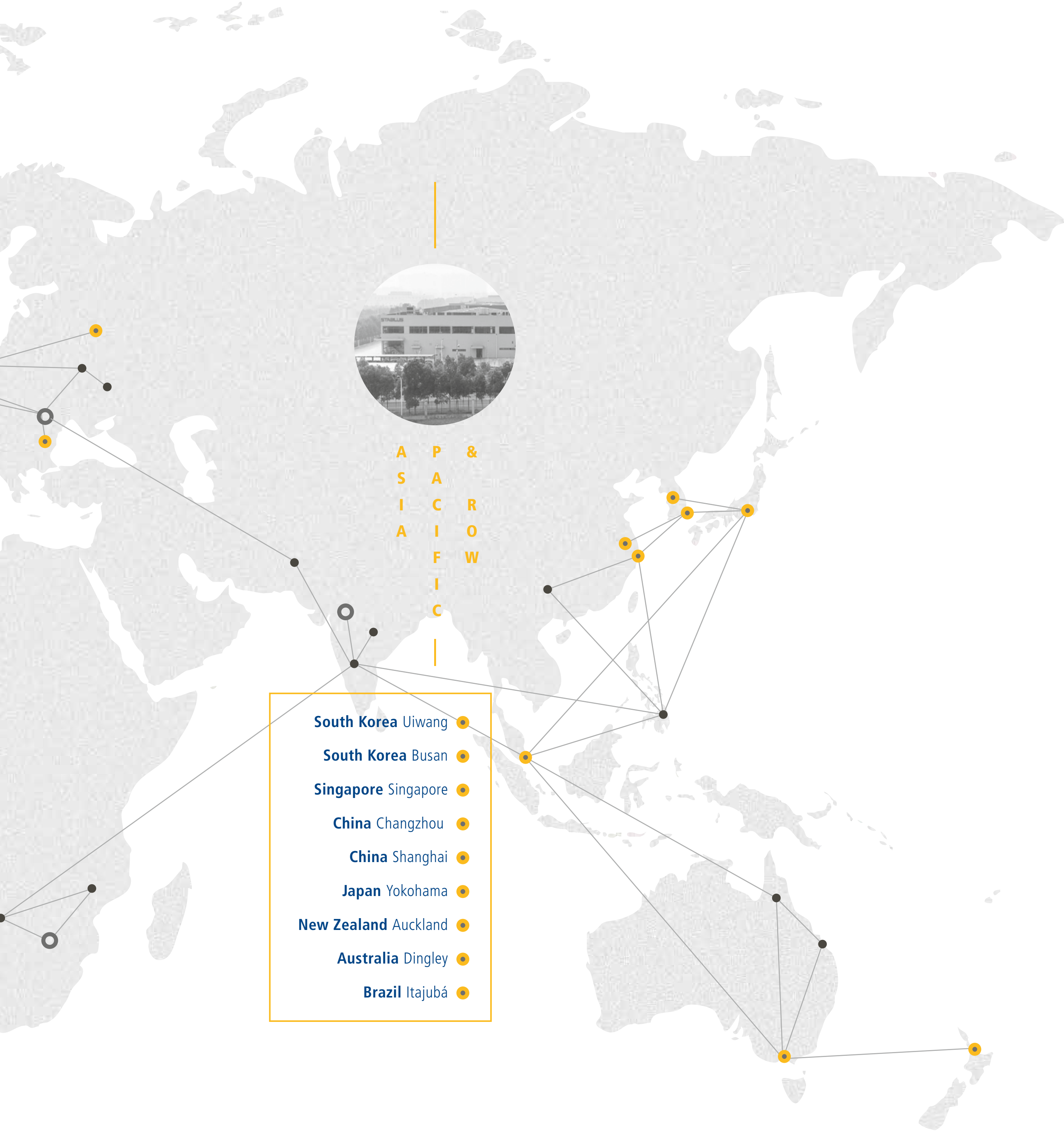
63% Automotive Business
35% Automotive Gas Spring
28% Automotive Powerise®

37% Industrial Business
23% Industrial / Capital Goods
11% Vibration & Velocity Control
3% Commercial Furniture

NEXT LEVEL MOTION CONTROL

As one of the world's leading providers of gas springs, dampers and electromechanical drives, we have been showing our prowess 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


ASIA PACIFIC & ROW
South Korea Uiwang
South Korea Busan
Singapore Singapore
China Changzhou
China Shanghai
Japan Yokohama
New Zealand Auckland
Australia Dingley
Brazil Itajubá

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TO OUR SHARE HOLDERS

LETTER FROM THE CEO

Dear Shareholders, Customers, Business Partners, Employees, Ladies and Gentlemen

We look back to a successful fiscal year in which we increased revenue by 5.8% to around €963 million and achieved an adjusted EBIT margin of 15.5%. This result is fully in line with our outlook for the 2018 fiscal year. We have seen solid and profitable growth and demonstrated our strong performance in a heterogeneous market environment. This puts us on track to achieve the vision set out in the STAR 2025 strategy and become the world's leading company for motion-control solutions by 2025.

The global megatrends such as demographic change, higher standards of living and greater demand for comfort as well as rising health and safety requirements are the underlying growth drivers and continue to provide further growth potential for our innovative applications in the automotive and industrial sectors. Our gas springs and dampers business is just as crucial for our success as new solutions in the industrial sector and the marketing of our electromechanical Powerise®.

Our revenue in the automotive business rose 4.6% to €610.6 million in the 2018 fiscal year. The steady global trend towards SUVs, crossovers, MPVs and hatchback cars was a key driver of growth and the Powerise® technology is proving to be a lasting success. For the record – we continue to grow faster than the global automotive market.In the industrial business we achieved 7.9% growth to €352.0 million. The successful integration of ACE, Hahn Gasfedern, Fabreeka and Tech Products into the Stabilus Group and the ongoing development of the industrial business with new and existing branches contributed largely to these results. We also realized a significant increase in sales, in particular in the fields of agricultural and construction machinery, buses, commercial vehicles, and medical technology.

Global demand for our products remains high: we made substantial gains in all three regions (Europe up 7.7%, NAFTA at year-on-year constant USD/EUR exchange rate up 7%, and Asia / Pacific and RoW up 19.5%). Our decision to create a new Management Board position for Asia proved correct considering that growth hotspots are visibly shifting, in particular in the automotive industry. Powerise® products, which we have been producing locally in China since the third quarter of 2016 fiscal year, will play a major role in Stabilus´continued positive development in Asia.

We once again made significant investments in our growth over the reporting period – the total capital expenditure increased by 5.3% to €47.5 million in fiscal year 2018. In particular, we increased Powerise® production capacity in China and Romania, installed new production machines in Mexico and modernized infrastructure at the German plant.

In terms of income, we increased adjusted EBIT by around 8.5% to €149.3 million in the 2018 fiscal year, while net income rose from €79.2 million in the 2017 fiscal year to €105.4 million in the 2018 fiscal year. We will propose an increased dividend of €1.00 per share to the Annual General Meeting.

Continued profitable growth remains a key target for Stabilus. Accordingly, we are aiming for revenue growth of at least 6% per year on average up to 2025. We firmly believe in the strong market potential of our products.

Keeping in mind the current heterogeneous market environment, for 2019 fiscal year we expect revenue to grow by some 5% to approximately EUR 1,010 million (at year-on-year constant USD/EUR exchange rate of 1.19) and an adjusted EBIT margin of approximately 15.5%. This means that, for the first time, we are anticipating annual revenue of over €1 billion – an outstanding milestone for our customers, employees, business partners and shareholders.

On behalf of the entire management team, I would like to thank our customers for loyalty, our shareholders for confidence, our business partners for excellent cooperation and last but not least our employees for their consistent hard work.

We look forward to continuing our course of growth in the 2019 fiscal year.

Yours sincerely,

Stephan Kessel

Dr. Stephan Kessel
CEO

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

During the reporting period from October 1, 2017 to September 30, 2018, the Supervisory Board of Stabilus S.A. performed its tasks and monitored the activities of 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.

Composition of the Supervisory Board

The composition of the Supervisory Board changed during the reporting period. Reason for this change was the resignation of Dietmar Siemssen as CEO of Stabilus as per July 31, 2018. The Supervisory Board appointed its Chairman, Stephan Kessel, as member of the Management Board and Interim CEO of Stabilus with effect on August 1, 2018. According to Luxembourg laws, his functions in the Supervisory Board are suspended as long as he is a member of the Management Board. It is intended that Stephan Kessel rejoins the Supervisory Board as soon as a new permanent CEO has been appointed.

Udo Stark, who held office as Chairman of the Supervisory Board until the 2018 Annual General Meeting, has been re-appointed as Supervisory Board member by means of co-optation to the Supervisory Board with effect of August 1, 2018. The Supervisory Board re-elected him as Chairman. It is intended that Udo Stark resigns as Supervisory Board member as soon as Stephan Kessel rejoins the Supervisory Board and returns to his position as the Board's Chairman.

After the above described changes, the Supervisory Board consists of Udo Stark (Chairman), Joachim Rauhut, Ralf-Michael Fuchs and Dirk Linzmeier.

Meetings of the Supervisory Board

The Supervisory Board held in total seventeen meetings during the last fiscal year and so far three in the current fiscal year. Except for two meetings in which one Supervisory Board member could not participate, all of the Supervisory Board members were present in all meetings.

Ongoing subjects in these meetings were the current status and performance of the Company and 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 with the Management Board supported by presentations of the respective business leaders Further subjects were potential acquisitions to enhance the profitable growth of the Stabilus Group as well as the organizational development.

Audit Committee and Remuneration and Nomination Committee

The Supervisory Board has established two committees for the performance of specific tasks: The Audit Committee, consisting of Joachim Rauhut (Chairman) and Udo Stark, and the Remuneration and Nomination Committee, consisting of Udo Stark (Chairman) and Ralf-Michael Fuchs.

Material questions concerning auditing, accounting, risk management, compliance and respective controls and systems have been treated within the Audit Committee. The Audit Committee discussed in particular the Quarterly Reports, the relationship with investors and the audit assignment to KPMG Luxembourg Société Coopérative including the focus areas of their audit. During the reporting period, the Audit Committee held five meetings and two meetings were held since the beginning of the current fiscal year. In all meetings, all of the Audit Committee members were present.

Remuneration, nomination and general Board matters were discussed by the Remuneration and Nomination Committee. This committee prepared Supervisory Board decisions regarding the appointment of Markus Schädlich as Management Board member with specific responsibility for business in Asia. As a consequence of Dietmar Siemssen leaving his CEO position, the committee further prepared and decided upon the terms of his departure and initiated the search for a successor. Discussions with qualified candidates are ongoing. The Remuneration and Nomination Committee also prepared the decisions of the Supervisory Board for a new compensation scheme for the Management Board members. During the reporting period, the Remuneration and Nomination Committee held nine meetings and two meetings were held since the beginning of the current fiscal year. In all meetings, all of the Remuneration and Nomination Committee members were present.

Drawing up of the Financial Statements

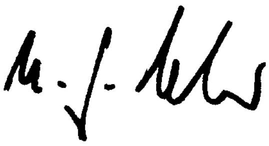
The Supervisory Board examined the Company's standalone annual accounts, the consolidated financial statements and the management report for the financial year ending on September 30, 2018. Representatives of the auditor KPMG Luxembourg Société Coopérative attended the meetings of the Audit Committee on November 14, 2018 and on December 12, 2018 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 financial year ending on September 30, 2018 and to the auditors' presentation. According to the recommendation of the Audit Committee, the Supervisory Board agreed to the proposal of the Management Board to approve both the Company's annual accounts and the consolidated financial statements for fiscal year 2018. The auditor issued unqualified audit opinions on December 12, 2018.

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.

Luxembourg, December 12, 2018

On behalf of the Supervisory Board of Stabilus S. A.



Udo Stark
Chairman of the
Supervisory Board

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FOCUS ON ASIA

IN THE REGION, FOR THE REGION

A leading global provider of gas springs, dampers and electromechanical drives. More than 6,500 dedicated employees. Revenue of almost €1 billion, up significantly more than twofold since 2011. A global production network, ambitious long-term targets, and a clear strategy. This is how Stabilus can be described in just a few words.

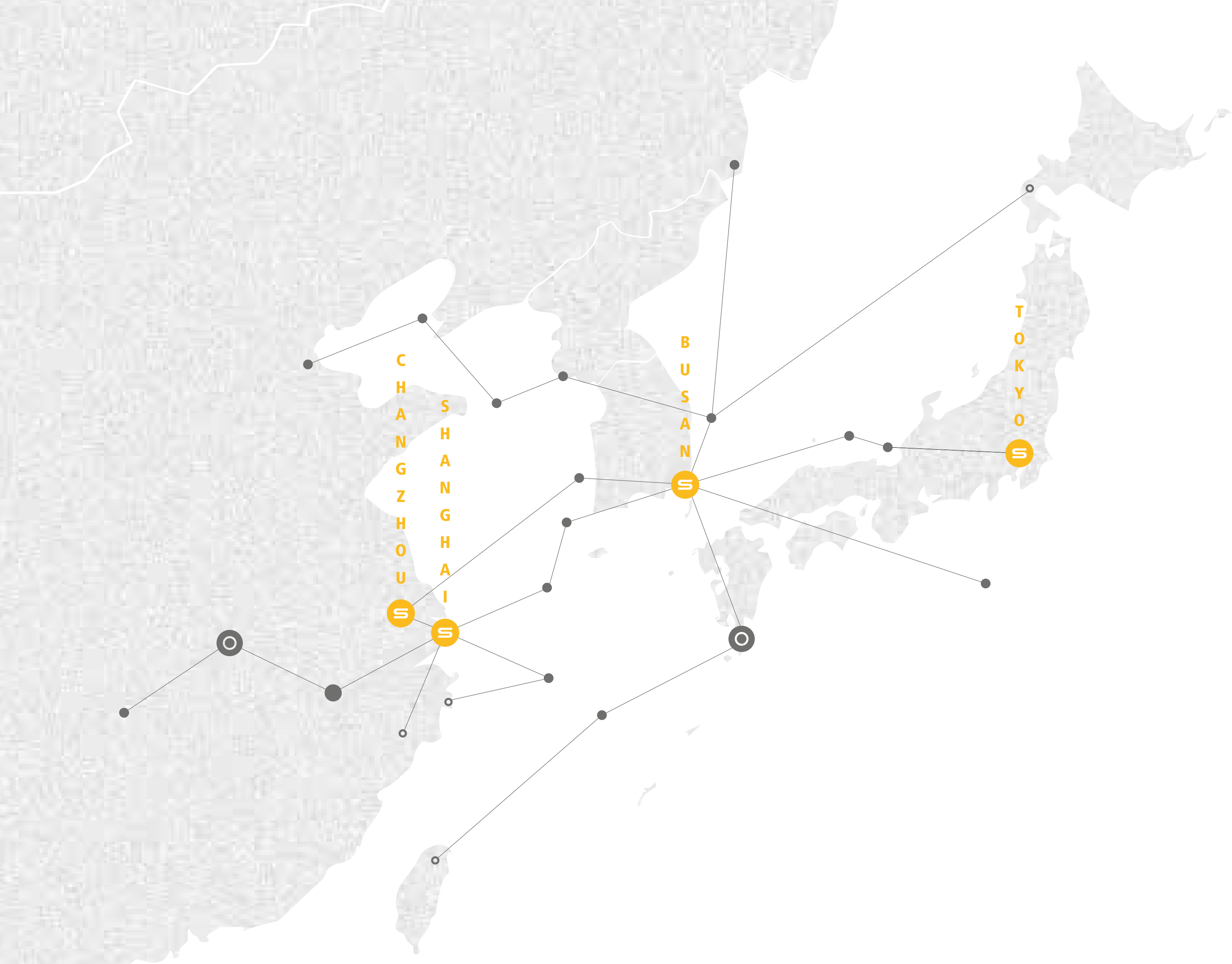
The Company's recent history is one of record-breaking achievements. Stabilus is using this momentum to achieve its next ambitious long-term targets for the period to 2025 – including an average annual revenue growth of at least 6% until 2025.

In doing so, the Company will build on its balanced production network and its "in the region, for the region" approach, which results in proximity to the customer, short supply chains and local development capacities for innovative solutions in the respective markets. At the same time, this will also generate natural stability in the face of fluctuations in individual markets or currencies.

In recent years, automotive and industrial suppliers have succeeded in expanding their traditionally strong automotive business while also moving into various additional sectors as industrial suppliers. Today, Stabilus solutions can be found in aircraft, aerospace and deep sea applications, solar modules, agricultural machinery, and the health care sector. Stabilus achieves growth by developing new products and applications as well as through value-adding acquisitions, such as the industrial suppliers ACE, Fabreeka, Tech Products and Hahn Gasfedern that were acquired by the SKF Group in 2016. Stabilus now has 17 production facilities around the world.

The basis for Stabilus' sustainable success is the local networking of global activities. To this end, the Company expands its production and sales capacities on a targeted basis internationally while also driving ahead the production of internationally well-established brands in Europe. In 2018, for example, ACE expanded its production from Farmington Hills, USA, to Koblenz, Germany. A production facility for industrial shock absorbers for the Magnum series, one of ACE's central products, was established at Stabilus' headquarters. This has given ACE greater proximity to the European market, as well as freeing up capacity at the US plant so that it can better satisfy local demand in the future. For Hahn Gasfedern in Aichwald, Germany, a neighboring property was acquired in 2018 and will be home to additional production lines from 2019.

The USA and Mexico also saw targeted investments in machinery and a significant increase in capacity for gas springs. In addition, business in the NAFTA region was supported with a new distribution center in Mexico. In Romania, an additional production building for Powerise® drives is currently being constructed in order to meet the growth in demand for the drives on the European market. In the region, for the region – a philosophy that is applied in practice, for the benefit of customers and all other Stabilus stakeholders around the world.



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FOCUS ON ASIA

Asia. A small word for a region that could hardly be more diverse in terms of its individual markets. The economic strength of the Asian nations is extremely varied, often with significant differences in income even within single nations. What the larger markets have in common is population growth accompanied by economic growth in most cases, resulting in a large number of people with rising income as well as a significant upturn in vehicle production over the years.

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This momentum is accompanied by a growing need for comfort, one of the megatrends that is supporting Stabilus' growth along with the rising average age of the global population and more stringent industrial health and safety standards around the world.

Stabilus has pursued a similar path to many western industrial companies: From the mid-1990s onwards, European automotive corporations in particular began establishing their own production facilities in Asia. They were followed by many suppliers, Stabilus included, with an interest in supporting their customers' local production.

Stabilus inaugurated its production in Korea in 2003, followed by China in 2005, and the Company's customer base in Asia has expanded significantly ever since. In addition to western automotive groups, Stabilus' solutions have won over Asian manufacturers such as Toyota, Hyundai, SAIC Volkswagen, SAIC General Motors, Nissan, Honda and Mitsubishi. Today, Stabilus' customer base in Asia comprises a balanced portfolio of local and global automotive clients who not only commission Stabilus for production in Asia, but who also see the Company's global development and production network as a particularly important factor. Many products are developed in Japan or Korea before being shipped globally, for example.

Stabilus also has access to extensive opportunities in terms of industrial applications, such as solutions aimed at the needs of mega-cities in countries like China. For instance, Stabilus offers elastomer mats that isolate residential buildings from the vibrations that can result from sources such as passing rail traffic. Other examples include mechanical and electromechanical mechanisms for furniture that help people to use compact living areas flexibly and comfortably. Stabilus also offers solutions for Asia's growing mechanical engineering industry, such as dampers that absorb vibrations from machine tools, thereby increasing the precision of production and extending machine durability. One particularly visible example of the wide-ranging industrial applications of dampers is the new Terminal 3 at Taoyuan Airport in Taipei. The terminal is designed for 45 million passengers annually and is scheduled for completion in 2020. Its attractive ceiling construction uses Stabilus dampers to allow access to certain areas for maintenance.

All in all, Stabilus has generated strong double-digit growth rates in the Asia/RoW region every year since its IPO in 2014. The Company intends to continue on its growth path in the future by further expanding the Stabilus Group's market share and product portfolio in Asia.

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INTERVIEW WITH MARKUS SCHÄDLICH

In addition to the historically strong regions Europe and NAFTA, Asia is a focus market for Stabilus on account of its growth and population development. Stabilus wants to foster further opportunities through organizational adjustments and has reinforced the Management Board with an Asia expert, Markus Schädlich, who brings years of experience in developing strategies focused on the Asian market and who will realize the full growth potential available to Stabilus in this region.

What are the defining characteristics of the Asian markets as far as you are concerned?

Thanks to its population growth, Asia will remain one of the key drivers of the world economy. Growth rates of between 3% and just under 7% illustrate the sustained high potential of the Asian nations. And although not every country in Asia is still seeing growth in vehicle production, there are many factors that support our ability to outgrow the market. One of them is the continuous rise in the share of hatchback cars, such as SUVs, in which a particularly large number of our solutions are used. This is leading to a significant upturn in the average proportion of gas springs and Powerise® drives installed per vehicle. In other words, our growth is not tied solely to the quantitative development of general automotive production. Comfort is also becoming increasingly important for the growing middle class in Asia, not only within the automotive industry but far beyond. Our positive development is also being supported by the trend away from cheap solutions in favor of high-quality systems in which customers expect the quality and performance that Stabilus provides.

How is Stabilus positioned in the Asian region?

In addition to technological expertise and quality leadership, Stabilus' strength lies in its ability to develop products in a targeted manner together with the customer and to deliver them in any batch size. Our globally and regionally balanced production and development footprint, our proximity to the customer and our short supply chains all play their part in the positive standing we enjoy among our customers. As a strong, innovative brand, Stabilus has increasingly positioned itself with major automotive and industrial manufacturers in the region and successfully attracted new customers. A close dialog with the customer and targeted presentations of product innovations at the manufacturers play an important role in this respect. Our focus on the high volumes required in the automotive industry has helped us to become the leading supplier in the Asia region. And our locations outside Asia are also reaping the benefits. The economies of scale we have achieved in Asia are helping us to become even more competitive, because cost remains an important factor for Asian customers even as their quality standards have risen.

We are currently also seeing growing potential in market segments such as commercial vehicles, the transport industry, public transportation, production technology, and many more besides. In recent years, our growth in these segments has tended to be opportunistic in nature because our primary focus has been on volume. However, our position as the leading provider is now helping us achieve greater awareness in all market segments, thereby making it easier for us to grow in smaller market segments and attractive niches.

In terms of industrial applications, too, there are promising developments in Asia as many manufacturers become increasingly quality-focused. For low-cost providers of motion solutions, the consequence is rising costs. For us, on the other hand, economies of scale are making us increasingly economically interesting for manufacturers, who are turning to Stabilus as a supplier in order to clearly set their products apart from the competition. In other words, our established positioning as a quality provider and our investments in local production capacities are paying off. Stabilus is being noticed by many industries in Asia thanks to its innovative solutions and is systematically increasing its market share in the region as a result.

What are Stabilus' plans for the future in Asia?

We intend to continue to expand our footprint in Asia in the medium term. Within Asia, Stabilus has production sites in China and Korea. Having already significantly expanded our Powerise® production in China towards the end of the 2016 financial year, we are currently increasing our capacities further to include an additional production line for Powerise®. Customers in Japan are looked after by our sales and development company in Tokyo. In Shanghai, we have an additional sales team for the Chinese market that complements the team in Changzhou extremely well. And the other Asian nations are covered by a dedicated team based in Singapore. India, Malaysia and Thailand offer potential for which we have developed and are implementing a clear strategy. We also expect a number of other countries to generate sustainably positive development in the coming years. When it comes to tapping the potential of the Asian market, our excellent reputation in the automotive industry is just as helpful as our regionally oriented approach. Our proximity to the customer and our global capabilities are proving to be key virtues.

Our presence in Asia encompasses more than just production and sales. We are aware that customers in Asia want more than just the same products as in Europe or the Americas. China in particular is seeing the emergence of a sales market that demands innovations and solutions specifically tailored to the populous nation with an extremely short time between the concept phase and the finished product. We are meeting these requirements by systematically establishing local development and innovation expertise. We are developing an organization with the capability to act throughout Asia and in line with Asian standards.

FOCUS MARKET CHINA

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The Chinese population is currently growing by seven million every year, with a good million of this figure attributable to migrants from neighboring countries seeking to participate in the country's strong economic development. With macroeconomic growth of 6.9 percent in 2017, more and more people are earning a regular income and the middle class is growing as a result. Experience from other emerging economies shows that this typically goes hand in hand with increased expenditure on mobility and comfort. Accordingly, car production in China has grown every year since 2005 – from 3.1 million vehicles in 2005 to around 25 million (or around 29 million units including commercial vehicles) in 2017.

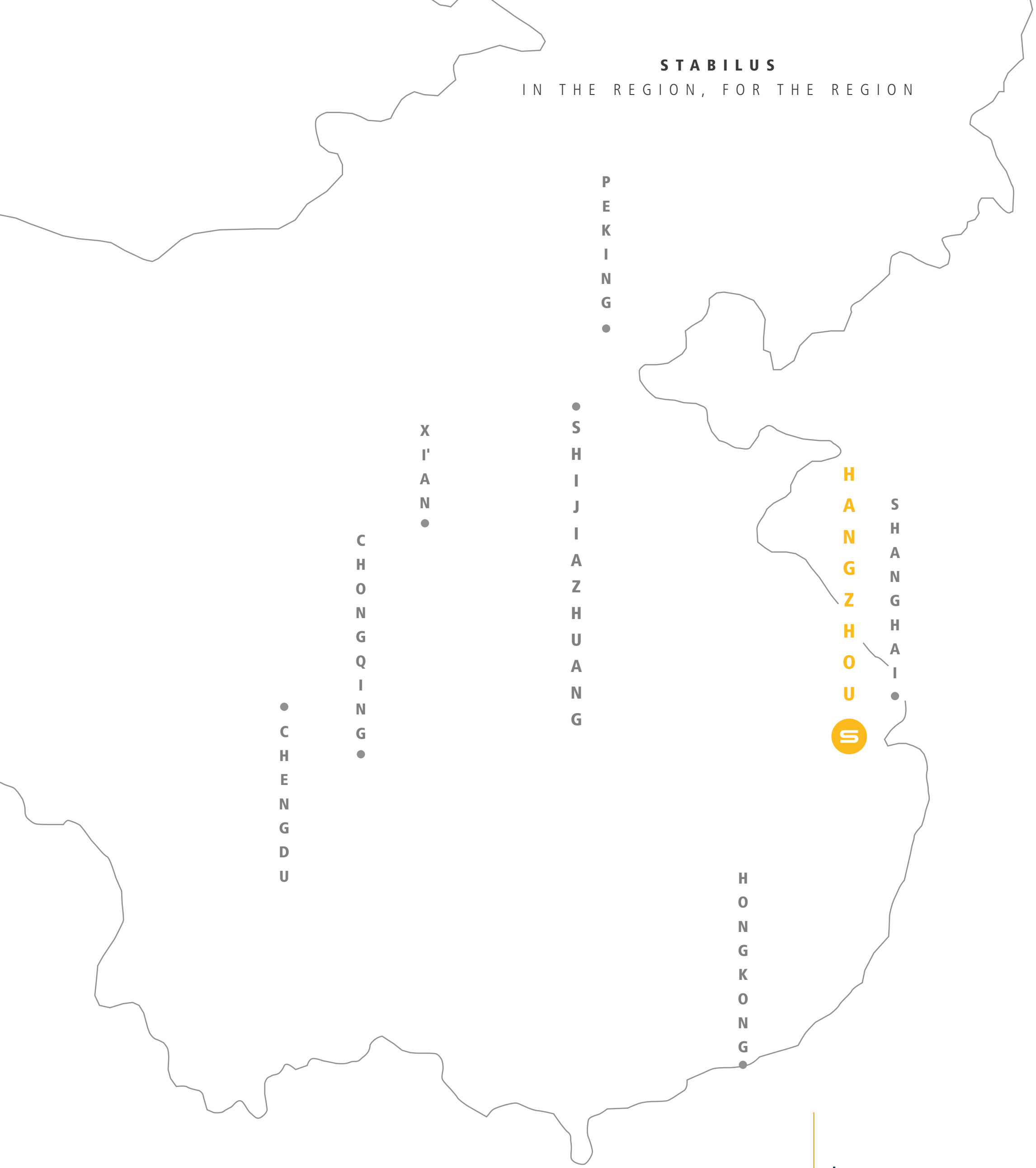
As in the western industrialized nations, demographic development in China means the average age is rising. By 2050, around 40% of the Chinese population will be aged 65 or over. As such, China is also set to be home to a large number of people with an active interest in comfortable solutions for carrying out everyday tasks. We therefore expect the megatrend of comfort to continue to drive Stabilus' growth in the long term. However, the geographical dimensions of China and its population also mean that speed and the smooth movement of people and goods are vital if the country is to work efficiently. Stabilus ensures smooth support and protection for all kinds of movement, from high-bay warehouses, supermarket refrigerator doors and ATMs through to trains and buses. The acceleration, deceleration, protection and isolation of production processes are also driving Stabilus' growth in Asia.

Stabilus has had a production presence in China since 2005. Since then, the company has continuously entered new sectors on the back of its reputation in the automotive industry. However, Stabilus also sees considerable potential for further expanding its market position with Chinese car makers. Local development capacities and contacts will play a key role in this process. These will allow Stabilus to quickly turn specific requirements into actual applications as a local partner.

The Chinese plant supplies customers throughout the region. Thanks to targeted expansion, gas spring production has been modified and capacity increased to over one million units. The expansion of capacity for the production of Powerise® drives will allow us to manufacture a seven-digit number of Powerise® units in China in the medium term. In the 2018 financial year, local engineering and production capacities enabled the start of series production on projects for Chinese and Korean car makers such as SAIC and Hyundai, which are now using Powerise® drives with strut support for opening and closing the tailgates of their Chinese models.

When it comes to industrial applications, Stabilus supplies Customers from the construction, agricultural and engineering sectors, among others.

Stabilus has more than 200 competitors in China alone. The secret of the company's success is ensuring the best possible quality and technically critical product features even in large-scale production processes. This expertise and the associated barriers

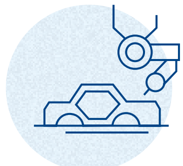


to market entry for Asian competitors, combined with a service- and customer solution-oriented global organization, are what make Stabilus unique. The global STAR process and the values enshrined in CODE S also help to create a corporate culture that motivates all employees around the world to work together and continue to expand Stabilus' market leadership.

Population[1]:
1.4 BN

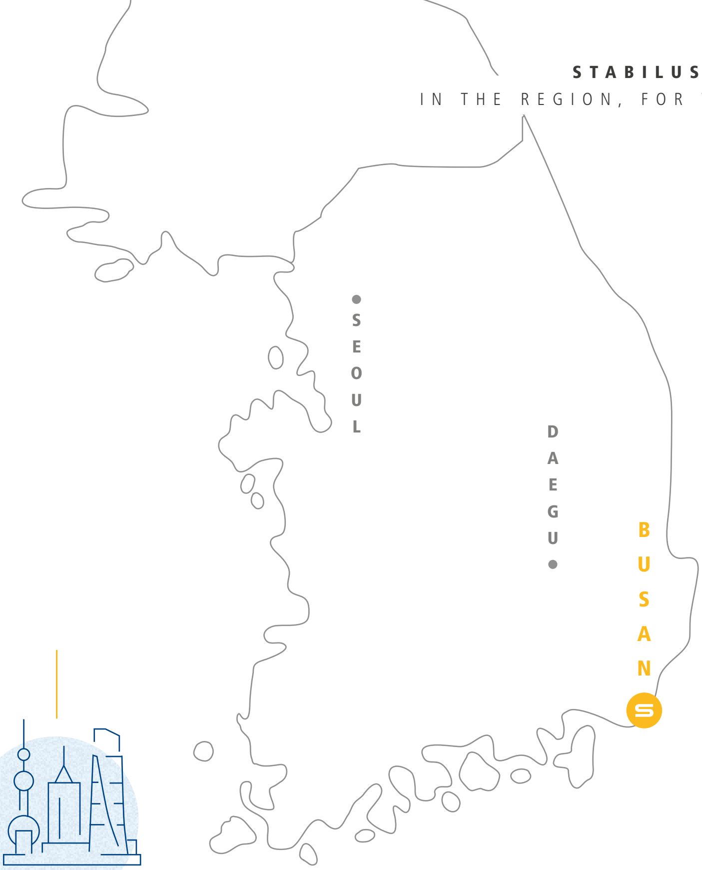
GDP growth[1]:
+6.9% Y/Y

GDP[1]:
US$ 12.3 M



Light vehicle production[2]:
27.7 M

[1] Source: World Bank Open Data for 2017, https://data.worldbank.org/, as of November 2018.
[2] Source: IHS Markit IHS LV production forecast for 2018 as of October 2018.



Population[1]:
51.5 M

GDP[1]:
US$ 1.5 M

GDP growth[1]:
+3.1 % Y/Y

Light vehicle production[2]:
4.0 M

FOCUS MARKET SOUTH KOREA

Although many people view Asia as a single region, the individual countries are extremely varied when it comes to their economic structure and the relevant factors for success as a foreign company. Stabilus' early decision to manufacture in Korea and establish a strong local production, sales and development team sets it apart from domestic and global competitors alike. High-volume automotive customers in particular recognize Stabilus' strategic commitment and substantial local and global market share as a sign of quality.

As a result, Stabilus supplies products for the Korean and global production sites (USA, China, EU) of all Korean manufacturers. For our customers in Korea and for Stabilus itself, the production of Powerise® in Korea represents a natural step in the development process. One major customer in Korea is the Hyundai Motor Group (Hyundai, KIA), with which Stabilus has a long-standing business relationship for gas springs. In September 2018, Stabilus also

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concluded an agreement for the provision of Powerise® solutions for the automatic opening and closing of tailgates in the Hyundai Motor Group's cars for the first time. With this development, Stabilus has successfully entered the Korean market with Powerise® and generated momentum for additional strategic partnerships. In addition, the world's first gas damper is currently being developed in cooperation with the Hyundai Motor Group. This technology offers a great deal of potential for the future and is already attracting interest from other manufacturers.

The expansion of Stabilus' production in Korea is therefore in full flow. While the Korean economy and its car makers had to deal with recessionary trends between 2014 and 2016, there was a moderate recovery in 2017 and the economy is expected to see positive overall development in 2018. Stabilus is benefiting from this trend, with solid growth in its existing products and new segments. The model policy of Korean car makers focused on SUVs at a comparatively late stage, meaning there is still significant additional growth potential for us in this market. With around five million vehicles produced worldwide, Korean automotive manufacturers are a loyal customer group for Stabilus.

In Korea, too, Stabilus' strategy of initially focusing on the high-volume automotive industry has proved successful. Building on its established presence in the country and the corresponding capacities and expertise, Stabilus also intends to grow into other market segments on a targeted basis in the coming years.

We see particular potential in the semiconductor and electronics industry, where the isolation of production processes from vibrations and the protection of semi-finished products during transportation are important factors. ACE, Fabreeka and many Stabilus products are world-leading in this area. However, Stabilus is also anticipating growth in other segments such as the transport industry or agricultural applications, as local providers often find themselves reaching the limits of their capacity.

[1] Source: World Bank Open Data for 2017, https://data.worldbank.org/, as of November 2018.
[2] Source: IHS Markit IHS LV production forecast for 2018 as of October 2018.

FOCUS MARKET JAPAN

Population[1]:
126.8 M

GDP[1]:
US$ 4.9 M

GDP growth[1]:
+ 1.7 % Y/Y

Light vehicle production[2]:
9.2 M

With over 120 million inhabitants and high population density, Japan is more than just a major market for Stabilus: The specific demands of Japanese society and domestic culture also require country-specific applications.

With a high degree of sensitivity for market-specific requirements, Stabilus regularly proves to be the manufacturer of choice for major projects in Japan and is continuously expanding its sales of gas springs. Customers in Japan include all of the leading manufacturers from the Japanese automotive industry. Stabilus has met the high standards of Toyota in recent years thanks to international teamwork, receiving numerous new orders and winning supplier awards as a result. Stabilus' global footprint, with its proximity to Japanese OEMs in Mexico, the USA, Europe and China, takes cooperation to a new qualitiative level by also making the Company a reliable partner for Japanese customers with production facilities outside Japan. Today, Stabilus is the leading global provider of gas springs for the Japanese automotive industry. Furthermore, potential Powerise® projects with Japanese OEMs are currently being examined for the first time. Stabilus also uses its leading international position to develop segments outside the automotive market in Japan. Even today, Stabilus works with Japanese customers to develop innovative motion solutions in areas such as furniture and production technology. We also see additional potential for the products of the industrial supplier acquired by Stabilus in 2016.

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[1] Source: World Bank Open Data for 2017, https://data.worldbank.org/, as of November 2018.
[2] Source: IHS Markit IHS LV production forecast for 2018 as of October 2018.

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, 2018)	24,700,000
Type of shares	Dematerialized shares with a nominal value of €0.01
Capital stock (Sept 30, 2018)	€247,000

Stabilus share price developed in line with automotive indices yoy

Over the course of the fiscal year 2018, Stabilus' share price decreased by around 7% from €76.79 on the last trading day of fiscal 2017 to €71.10 on the last trading day of fiscal 2018. During the same period, the SDAX declined by around 2%, DAXsector All Automobile by around 8% and DAXsector Industrial remained as of end September 2018 roughly on the same level as a year before.

Shareholder structure

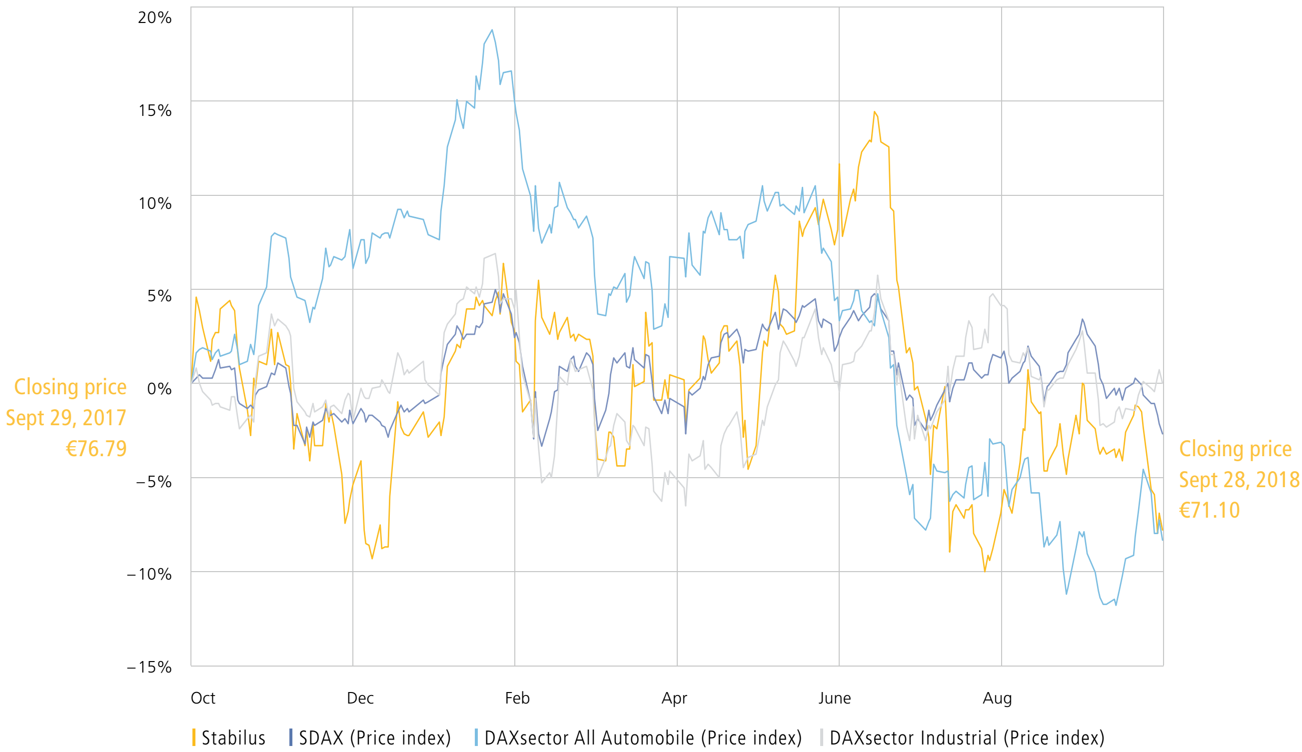
According to the voting rights notifications received until September 30, 2018, Marathon Asset Management LLP, London, UK, BlackRock, Inc., Wilmington, DE, USA and Ameriprise Financial, Inc., Minneapolis, MN, USA each hold more than 5% of Stabilus shares. Stabilus management, i.e. members of the Management Board and of the Supervisory Board, hold 0.3% of the total shares.

The aforementioned and all other voting-right notifications can be viewed on the Company's website (www.ir.stabilus.com).

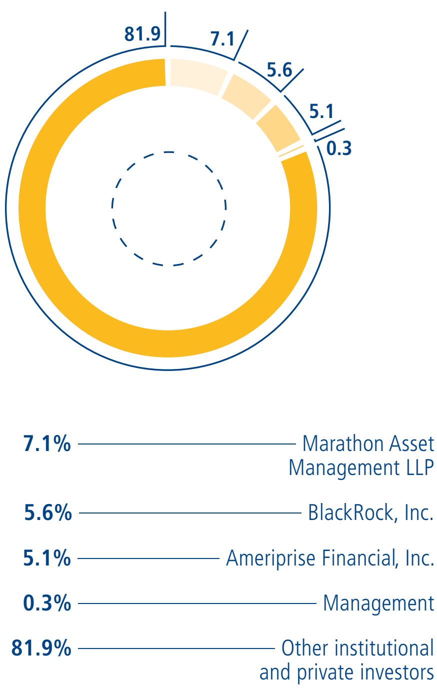
Annual General Meeting

Almost two thirds (65.8%) of equity capital was represented at our Annual General Meeting which was held on February 14, 2018 in Luxembourg. A large majority of shareholders approved all proposed resolutions – with one exception: The Annual General Meeting did not resolve to amend the articles of association of the company

Share price performance



Shareholder structure
in % as of September 30, 2018



allowing the Supervisory Board to appoint ordinary members of the Management Board for a period exceeding one year, specifically up to three years. The appointment period of the Management Board members designated as Chief Executive and Chief Financial Officers remains at four and three years, respectively. All of the documents and information regarding the Annual General Meeting can be found on the Company's website (www.ir.stabilus.com).

Dividend proposal of €1.00 per share

The Management Board and the Supervisory Board have resolved to propose a dividend distribution of €1.00 per share to the Annual General Meeting to be held in Luxembourg on February 13, 2019 (PY: €0.80). The total dividend will thus amount to €24.7 million (PY: 19.8 million) and the distribution ratio will be 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 2018 we continued to pursue our goal of providing all market participants with relevant and reliable information. We conducted nineteen investor events (i.e. roadshows and site visits) and participated in the following international conferences:

- Berenberg European Corporate Conference, Pennyhill Park, Surrey
- Commerzbank German Investment Seminar, New York
- Kepler Cheuvreux 17th German Corporate Conference, Frankfurt am Main
- 12th Oddo BHF German Conference, Frankfurt am Main
- Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
- UBS Pan European Small and Mid-Cap Conference, London
- Commerzbank Northern European Conference, New York
- Commerzbank Northern European Conference, Boston
- Berenberg European Conference USA, Tarrytown
- Societe Generale Nice Conference, Nice
- J.P. Morgan 6th Annual Auto Conference, London
- Warburg Highlights Conference, Hamburg
- Commerzbank Sector Conference, Frankfurt am Main
- Citi Small Cap Growth Conference, London
- Berenberg and Goldman Sachs Seventh German Corporate Conference, Munich
- Baader Investment Conference, Munich

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

Research coverage

Bankhaus Lampe	David Klus
Berenberg	Philippe Lorrain, Simon Toennessen
Commerzbank	Yasmin Steilen, Demian Flowers
Credit Suisse	Sascha Gommel, Daniel Schwarz
Equinet Bank	Manuel Tanzer, Stefan Augustin
Hauck & Aufhäuser	Christian Glowa
J.P. Morgan	Jose M Asumendi, Akshat Kacker
Kepler Cheuvreux	Hans-Joachim Heimbürger
MainFirst	Alexander Wahl
Quirin	Daniel Kukalj
Societe Generale	Stephen Reitman, Erwann Dagorne
Warburg Research	Marc-René Tonn

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COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

as of and for the fiscal year ended September 30, 2018

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 and Rest of World (RoW). Stabilus' fiscal year is not a calendar year but 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. Around 37% of the Group's revenue in fiscal 2018 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 and Fabreeka / Tech Products in fiscal 2016 the Group expanded its product offering. The Company offers now a broad range of solutions for motion control, which contains additional damping solutions including vibration insulation. Stabilus' strategic aim is to further extend its leadership positions. 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 new targeted investments in additional production capacity in this region. To achieve this goal, management has implemented a targeted sales strategy and is further strengthening engineering capabilities in China, which has already secured orders from several local Chinese OEMs, both for Gas Spring and Powerise®. Stabilus´ market share with European and US car manufactures has long since been strong.

Increased demand for SUVs, crossovers and hatchback cars will provide a strong foundation for increased Powerise® sales. Powerise®, our automatic opening and closing system for vehilce tailgates fullfills increased comfort requirements across all regions. The Company is in the process of adding further capacities at its three Powerise® production plants.

Industrial: Increase regional coverage

While Stabilus has a large industrial market share in certain 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 intends to duplicate 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 is increasing its presence in China. Stabilus has extended its Chinese production capabilities and set up local application engineering, sales and project management teams. In China the Company has set up their first production line for industrial products, which will help gain additional local market shares. The Stabilus management believes that a strong local presence in China will further strengthen the Group's position in the Asia / Pacific region.

As the only non-Asian producer of gas springs for high quality commercial furniture, Stabilus is in an excellent position to gain further market share in Europe and NAFTA. Management has successfully turned around the commercial furniture business and increased profitability and stabilized revenue. Stabilus expects this positive momentum to continue.

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 global population of older people is growing considerably faster than the population as a whole in a number of countries. Stabilus focuses on capitalizing on this megatrend. It is inevitable that an aging consumer base requests more movement support and more automated systems in their vehicles and in other aspects of their daily lives. The Group intends to benefit from this megatrend as it has a leading position as a 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 352 people in R&D across its three regional segments as of September 30, 2018. 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 recently 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 new 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.

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 costs.

For the coming years, management expects to continue on this path with productivity improvements, a range of initiatives to profitability 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' 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 in Powerise® supports this positive outlook.

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 (aircrafts, trucks and buses, marine), agriculture 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 and SUVs have generally a higher Stabilus content per car). Hence, the demand and popularity of certain vehicle body configurations should be considered as an additional variable in a revenue forecast model.

Macroeconomic development

According to the latest figures published by the International Monetary Fund (IMF), the global GDP growth projection in the calendar year 2018 is expected to be 3.7% (2017: 3.7%). The Growth in the advanced economies is projected to expand by 2.4% in 2018 and is marginally higher compared to 2.3% in calendar year 2017 before softening to 2.1% in 2019. The developing economies are still experiencing high growth rates. The growth rate of developing countries' GDP is set to remain constant at 4.7% in 2018 and 2019, compared to 4.7% in 2017.

Latest growth projections for selected economies T_001

% YEAR-ON-YEAR CHANGE IN THE CALENDAR YEAR	2017	2018*	2019*
World	**3.7%**	**3.7%**	**3.7%**
Advanced economies	**2.3%**	**2.4%**	**2.1%**
Euro Area	2.4%	2.0%	1.9%
United Kingdom	1.7%	1.4%	1.5%
United States	2.2%	2.9%	2.5%
Canada	3.0%	2.1%	2.0%
Japan	1.7%	1.1%	0.9%
Developing economies (emerging markets)	**4.7%**	**4.7%**	**4.7%**
Emerging and developing Europe	6.0%	3.8%	2.0%
Russia	1.5%	1.7%	1.8%
China	6.9%	6.6%	6.2%
Mexico	2.0%	2.2%	2.5%
Brazil	1.0%	1.4%	2.4%

Source: IMF, October 2018 World Economic Outlook.
* Projections.

Development of vehicle markets

The global production of light vehicles in the last twelve months developed slightly positively. According to IHS forecasts as of October 2018, the global production is expected to increase from 95.2 million units in calendar year 2017 to approximately 95.8 million vehicles in 2018 which corresponds to a growth rate of 0.7% in 2018. Thus, in 2018, the output of new passenger cars and light commercial vehicles in Asia / Pacific and RoW is forecasted to reach around 56.6 million vehicles (+ 0.8% versus 55.9 million units in 2017), approximately 22.2 million vehicles (unchanged versus 2017) in Europe and around 17.0 million vehicles (– 0.1% versus 17.1 million units in 2017) in the NAFTA region.

Estimations of the German Association of the Automotive Industry (VDA), as of October 2018, show a global year-on-year increase of new car registrations in calendar year 2018 amounting to approximately 1%. The development varies significantly in the world's regions: + 15% in Russia, + 11% in Eastern Europe, + 10% in Brazil, + 2% in China, + 0% in Western Europe, – 2% in the USA, and – 5% in Mexico.

Production of light vehicles T_002

IN MILLIONS OF UNITS PER CALENDAR YEAR	2017	2018**	2019**	2020**	2021**	2022**	2023**
Europe	22.2	**22.2**	22.5	22.6	23.1	23.4	23.5
NAFTA	17.1	17.0	17.1	16.8	17.4	17.6	17.7
Asia / Pacific and RoW	55.9	56.6	58.1	59.4	61.1	63.4	65.2
Worldwide production of light vehicles*	**95.2**	**95.8**	**97.7**	**98.8**	**101.6**	**104.4**	**106.4**

Source: IHS
* Passenger cars and light commercial vehicles (<6t)
** IHS forecast as of October 2018

Sport utility vehicles (SUV), multi-purpose vehicles (MPV), crossovers, as well as station wagons and hatchbacks continue to be favored by an increasing number of end customers – not only in North America and Europe, but increasingly also in Asia / China. For instance: the German Department of Motor Vehicles (Kraftfahrt-Bundesamt, KBA), a government agency administering vehicle registrations, publishes monthly statistics of new passenger car registrations on its website – classified by car models and vehicle segments. According to these statistics for 2017, registrations of new SUVs in Germany increased by 18.4% in a year-on-year comparison and off-road vehicles by 3.2% – i.e. more strongly than other vehicle segments and total new car registrations which increased by 2.7%. In the ten-month period from January to October 2018, the registrations of new SUVs in Germany increased by 12.0% and the registrations of off-road vehicles decreased by 6.6% compared to the respective period of the previous year.

Alternative Performance Measures (APM) in the annual report of fiscal year 2018

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 APM used. The Group uses the following APMs: Adjusted EBIT, Free cash flow (FCF), 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 required disclosures are provided in the relevant sections of this annual report.

The APM adjusted free cash flow and Organic growth have been used in past annual reports to anticipate a business combination in fiscal 2016. As we do not have a comparable transaction in fiscal years 2017 and 2018 we do not use these APMs in this annual report.

RESULTS OF OPERATIONS

The table below sets out Stabilus Group's consolidated income statement for the fiscal year 2018 in comparison to the fiscal year 2017:

Income statement

T _ 003

	Year ended Sept 30,			
IN € MILLIONS	**2018**	2017	Change	% change
Revenue	962.6	910.0	52.6	5.8%
Cost of sales	(671.4)	(637.2)	(34.2)	5.4%
Gross profit	**291.2**	**272.9**	**18.3**	**6.7%**
Research and development expenses	(42.0)	(38.2)	(3.8)	9.9%
Selling expenses	(81.3)	(80.4)	(0.9)	1.1%
Administrative expenses	(38.5)	(35.3)	(3.2)	9.1%
Other income	3.9	3.9	–	0.0%
Other expenses	(1.3)	(4.5)	3.2	(71.1)%
Profit from operating activities (EBIT)	**131.9**	**118.4**	**13.5**	**11.4%**
Finance income	6.7	22.3	(15.6)	(70.0)%
Finance costs	(12.1)	(29.8)	17.7	(59.4)%
Profit / (loss) before income tax	**126.5**	**110.9**	**15.6**	**14,1%**
Income tax income/ (expense)	(21.1)	(31.7)	10.6	(33.4)%
Profit / (loss) for the period	**105.4**	**79.2**	**26.2**	**33,1%**

Revenue

Group’s total revenue developed as follows:

Revenue by region

T_004

IN € MILLIONS	Year ended Sept 30, 2018	2017	Change	% change
Europe[1]	491.3	456.3	35.0	7.7%
NAFTA[1]	348.1	350.7	(2.6)	(0.7%)
Asia / Pacific and RoW[1]	123.1	103.0	20.1	19.5%
Revenue[1]	**962.6**	**910.0**	**52.6**	**5.8%**

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

Total revenue of €962.6 million in fiscal year 2018 increased by 5.8% compared to the fiscal year 2017.

The Group´s revenue growth in fiscal 2018 was primarily driven by our entities in Europe (€35.0 million or 7.7%) and Asia / Pacific and RoW (€20.1 million or 19.5%), whereas revenue from our NAFTA entities decreased by €(2.6) million or (0.7)%.

The decrease in NAFTA is driven by the relatively weaker US dollar, i.e. the currency translation of NAFTA´s revenue from US dollar to euro (average rate per €1: $1.19 FY2018 versus $1.10 FY2017). This currency translation effect amounted to €(27.3) million. At constant US dollar rates NAFTA´s revenue grew by 7.0%.

Revenue by market

T_005

IN € MILLIONS	Year ended Sept 30, 2018	2017	Change	% change
Automotive Gas Spring	342.3	340.5	1.8	0.5%
Automotive Powerise®	268.3	243.2	25.1	10.3%
Automotive business	610.6	583.7	26.9	4.6%
Industrial / Capital Goods	220.0	204.4	15.6	7.6%
Vibration & Velocity Control	101.6	93.9	7.7	8.2%
Commercial Furniture	30.4	28.0	2.4	8.6%
Industrial business	352.0	326.3	25.7	7.9%
Revenue	**962.6**	**910.0**	**52.6**	**5.8%**

The revenue of our Automotive business increased by €26.9 million or 4.6% from €583.7 million in fiscal year 2017 to €610.6 million in fiscal year 2018. This is substantially due to our Automotive Powerise® business increasing by €25.1 million or 10.3% to €268.3 million, reflecting stronger sales in China. Revenue in the Automotive Gas Spring business increased slightly by €1.8 million or 0.5% from €340.5 million to €342.3 million.

The revenue of our Industrial business increased by €25.7 million or 7.9% from €326.3 million in fiscal year 2017 to €352.0 million in fiscal year 2018. This increase was primarily driven by our Industrial / Capital Goods business which grew by €15.6 million or 7.6% and our Vibration & Velocity business which grew by €7.7 million or 8.2%. Both businesses benefit from the strong growth in several relevant segments (e.g. agriculture machinery, construction machinery, bus / truck / transportation, medical technology).

Commercial Furniture revenue increased by 8.6% from €28.0 million in fiscal year 2017 to €30.4 million in fiscal year 2018.

Cost of sales and overhead expenses

COST OF SALES

Cost of sales increased from €(637.2) million in fiscal year 2017 by 5.4% to €(671.4) million in fiscal year 2018 and this is generally driven by increased revenue. The cost of sales increase (5.4%) is less than the increase in revenue (5.8%). Consequently, cost of sales as a percentage of revenue decreased to 69.7% (PY: 70.0%) and the gross profit margin improved to 30.3% (PY: 30.0%). This reflects a shift to strong margin business and a better fixed cost absorption due to economies of scale.

R&D EXPENSES

R&D expenses (net of R&D cost capitalization) increased by 9.9% from €(38.2) million in fiscal year 2017 to €(42.0) million in fiscal year 2018. The increase in R&D expenses reflects engineering activities to develop new products and product applications to open new areas of business for Stabilus. The non-capitalizable R&D costs increased even more as resources are currently reassigned from capitalizable activities to others. As a percentage of revenue, R&D expenses increased by 20 basis points to 4.4% (PY: 4.2%). The capitalization of R&D expenses decreased from €(11.4) million in fiscal year 2017 to €(9.1) million in fiscal year 2018.

SELLING EXPENSES

Selling expenses increased from €(80.4) million in fiscal year 2017 by 1.1% to €(81.3) million in fiscal year 2018 generally due to increased revenue. As a percentage of revenue, selling expenses decreased by 40 basis points to 8.4% (PY: 8.8%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased from €(35.3) million in fiscal year 2017 by 9.1% to €(38.5) million in fiscal year 2018. This increase is especially due to an increased headcount addressing the overall growth of the Stabilus Group and the overall payroll inflation. As a percentage of revenue, administrative expenses increased slightly by 10 basis points to 4.0% (PY:3.9%).

OTHER INCOME AND EXPENSE

Other income remained unchanged at €3.9 million in fiscal year 2017 compared to fiscal year 2018. This mainly comprises income from scrap and income from rental to external companies.

Other expense decreased from €(4.5) million in fiscal year 2017 by €3.2 million to €(1.3) million in fiscal year 2018. This mainly comprises the presentation of net foreign currency translation losses from the operating business.

FINANCE INCOME AND COSTS

Finance income decreased from €22.3 million in fiscal year 2017 to €6.7 million in fiscal year 2018. Finance income resulted mainly from the adjustment of the carrying value of the term loan facility. In the current year this reflects the extension of the term by one year (€3.4 million), a further decrease in the margin in February 2018 (€1.3 million) and changed assumptions for voluntary prepayments (€1.7 million). In the prior year this reflects the decrease in the margin (€17.5 million) and last year's extension of the term by one year (€4.6 million).

Finance costs decreased from €(29.8) million in fiscal year 2017 to €(12.1) million in fiscal year 2018. Finance costs in fiscal year 2018 comprised interest expense of €(8.5) million (PY: €(12.8) million) and net foreign exchange losses of €(2.6) million (PY: €(16.5) million).

Interest expense on financial liabilities include ongoing interest expense of €(8.5) million (PY: €(9.6) million) especially related to the euro term loan facility. Thereof, an amount of €(3.8) million (PY: €(8.3) million) is cash interest. This decrease reflects the lower margin based on the improved net leverage ratio of the Group and the reduced outstanding nominal amount. In addition, an amount of €(4.7) million (PY: €(2.4) million) is due to the amortization of debt issuance cost and the amortization of adjustments of the carrying value by using the effective interest rate method. In the prior year prepayments of the euro term loan facility lead to a derecognition of unamortized debt issuance cost and unamortized adjustments of the carrying value with a total amount of €(3.1) million.

Net foreign exchange losses are a result of financial assets and liabilities of group entities denominated in foreign currency. The reduction compared to prior year is due to certain measures we took to reduce our foreign exchange exposure.

INCOME TAX EXPENSE

The tax expense decreased from €(31.7) million in fiscal year 2017 to €(21.1) million in the fiscal year 2018. The Group´s tax rate in fiscal year 2018 is 16.7% (PY: 28.6%).

The decrease in the tax rate is especially due to the US tax reform and a changed financing and legal structure of our US operations. The US tax reform signed in December 2017 reduces the federal income tax rate from 35% to 21% with effect from January 1, 2018, and requires a remeasurement of the deferred tax position of our US operations with a non-recurring net tax benefit of €3.9 million. In the context of the changed financing and legal structure of our US operations a non-recurring net tax benefit amounting to €7.2 million has been recognized 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 2018 and 2017:

Reconciliation of EBIT to adjusted EBIT

T_006

	Year ended Sept 30,			
IN € MILLIONS	2018	2017	Change	% change
Profit from operating activities (EBIT)	**131.9**	**118.4**	**13.5**	**11.4%**
PPA adjustments - depreciation and amortization	17.4	19.2	(1.8)	(9.4)%
Adjustments	–	–	–	n/a
Adjusted EBIT	**149.3**	**137.6**	**11.7**	**8.5%**

Adjusted EBIT represents EBIT, adjusted for exceptional non-recurring items (e.g. restructuring or one-time advisory costs) and depreciation / amortization of fair value adjustments from purchase price allocations (PPAs). Adjusted EBIT is presented because we believe it helps understanding our operating performance.

The PPA adjustments in the current year contain €9.3 million (PY: €10.8 million) related to the April 2010 PPA and €8.2 million (PY: €8.4 million) to the June 2016 PPA.

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 2018 and 2017.

Operating segments

T_007

IN € MILLIONS	Year ended Sept 30, 2018	2017	Change	% change
Europe				
External revenue[1]	491.3	456.3	35.0	7.7%
Intersegment revenue[1]	32.3	30.4	1.9	6.3%
Total revenue[1]	523.6	486.7	36.9	7.6%
Adjusted EBIT	77.4	68.0	9.4	13.8%
as % of total revenue	14.8%	14.0%		
as % of external revenue	15.8%	14.9%		
NAFTA				
External revenue[1]	348.1	350.7	(2.6)	(0.7)%
Intersegment revenue[1]	26.1	24.7	1.4	5.7%
Total revenue[1]	374.2	375.4	(1.2)	(0.3)%
Adjusted EBIT	51.9	55.1	(3.2)	(5.8)%
as % of total revenue	13.8%	14.7%		
as % of external revenue	14.9%	15.7%		
Asia / Pacific and RoW				
External revenue[1]	123.1	103.0	20.1	19.5%
Intersegment revenue[1]	0.1	0.7	(0.6)	(85.7)%
Total revenue[1]	123.2	103.7	19.5	18.8%
Adjusted EBIT	20.0	14.5	5.5	37.9%
as % of total revenue	16.2%	14.0%		
as % of external revenue	16.2%	14.1%		

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

The external revenue generated by our European companies increased from €456.3 million in fiscal year 2017 by €35.0 million or 7.7% to €491.3 million in fiscal year 2018. This is driven by growth in all European markets of the Automotive and Industrial business. This increase was primarily driven by Industrial / Capital Goods and Automotive Powerise®. Industrial / Capital Goods grew by 12.2% and contributed €15.9 million and Automotive Powerise® grew by 9.0% and contributed €9.0 million to Europe`s revenue growth. Adjusted EBIT of the European segment increased by 13.8% or €9.4 million and the adjusted EBIT margin, i.e. adjusted EBIT in percent of external revenue, increased in fiscal year 2018 by 90 basis points to 15.8% (PY: 14.9%).

The external revenue of our companies located in the NAFTA region decreased from €350.7 million in fiscal year 2017 by €(2.6) million or (0.7)% to €348.1 million in fiscal year 2018. Industrial / Capital Goods contributed €(2.2) million and Automotive Gas Spring €(2.1) million to NAFTA´s development, offset by €2.0 million from the Vibration & Velocity Control business. The decrease in NAFTA is generally driven by the relatively weaker US dollar, i.e. the currency translation of NAFTA´s revenue from US dollar to euro (average rate per €1: $1.19 in FY2018 versus $1.10 in FY2017). This currency translation effect amounted to €(27.3) million. At constant US dollar rates NAFTA´s revenue grew by 7.0%. Measured in US dollars the Automotive business grew by 6.7% (Powerise® business + 7.4% and Automotive Gas Spring business + 5.8%). The Industrial business grew by 7.7% (Vibration & Velocity business + 14.1%, Commercial Furniture + 6.6% and Industrial / Capital Goods + 4.1%). Adjusted EBIT of the NAFTA segment decreased by 5.8% or €3.2 million and the adjusted EBIT margin decreased in fiscal 2018 year by 80 basis points to 14.9% (PY: 15.7%).

The external revenue of our companies located in the region Asia / Pacific and RoW increased from €103.0 million in fiscal year 2017 by €20.1 million or 19.5% to €123.1 million in fiscal year 2018. This increase is mainly driven by the Automotive Powerise® business which grew by €16.6 million, especially due to increased business volume following the ramp-up of the Powerise® production in our Chinese entity. In addition, the Vibration and Velocity Control business grew by €2.5 million. Adjusted EBIT of the Asia / Pacific and RoW segment increased by €5.5 million or 37.9% and the adjusted EBIT margin increased in fiscal year 2018 by 210 basis points to 16.2% (PY: 14.1%).

FINANCIAL POSITION

Balance sheet

T _ 008

IN € MILLIONS	2018	2017	Change	% change
Assets				
Non-current assets	640.7	647.8	(7.1)	(1.1)%
Current assets	369.8	282.2	87.6	31.0%
Total assets	**1,010.4**	**930.0**	**80.4**	**8.6%**
Equity and liabilities				
Total equity	426.5	336.4	90.1	26.8%
Non-current liabilities	422.9	430.8	(7.9)	(1.8)%
Current liabilities	161.0	162.8	(1.8)	(1.1)%
Total liabilities	583.9	593.6	(9.7)	(1.6)%
Total equity and liabilities	**1,010.4**	**930.0**	**80.4**	**8.6%**

TOTAL ASSETS

The Group's balance sheet total increased from €930.0 million as of September 30, 2017, by 8.6% to €1,010.4 million as of September 30, 2018.

NON-CURRENT ASSETS

Our non-current assets decreased from €647.8 million as of September 30, 2017, by (1.1%) or €(7.1) million to €640.7 million as of September 30, 2018. This reduction is mainly attributable to the €(21.7) million decrease of other intangible assets substantially resulting from the ongoing amortization of intangible assets from the 2010 and 2016 purchase price allocations. This was partly offset by ongoing capacity expansion projects, i.e. the purchase of property, plant and equipment (€36.6 million) and intangible assets (€10.9 million). Furthermore, the deferred taxes increased by €3.0 million, mainly driven by the changes in the legal structure of our US entities.

CURRENT ASSETS

Current assets increased from €282.2 million as of September 30, 2017, by 31.0% or 87.6 million to €369.8 million as of September 30, 2018. This is driven by an increase in the cash balance by €74.9 million which results from our strong cash flow in fiscal year 2018. In addition, trade accounts receivables increased by €6.1 million or 5.8% and inventories increased by €5.5 million or 6.5% in line with our revenue growth.

EQUITY

The Group's equity increased from €336.4 million as of September 30, 2017, by €90.1 million to €426.5 million as of September 30, 2018. This increase results from the profit of €105.4 million that was generated in the fiscal year 2018 and from other comprehensive income of €4.6 million. Other comprehensive income comprises unrealized actuarial gains on pensions (net of tax) amounting to €0.5 million and unrealized gains from foreign currency translation amounting to €4.1 million. In February 2018 dividends amounting to €(19.8) million were paid to our shareholders.

NON-CURRENT LIABILITIES

Non-current liabilities decreased from €430.8 million as of September 30, 2017, by €(7.9) million to €422.9 million as of September 30, 2018. This decrease is primarily due to the reduction of deferred tax liabilities by €(12.2) million reflecting the US tax reform and the necessary remeasurement of deferred tax positions of our US entities, the release of deferred tax liabilities for unrealized foreign exchange gains, and in addition, the reduction of deferred tax liabilities related to the amortization of the 2010 and 2016 purchase price allocations. The decrease is partly offset by the reclassification of financial liabilities from short-term to long-term amounting to €8.9 million. The pension liability decreased by €(1.1) million as a consequence of a slightly increased discount rate (September 30, 2017: 1.87% versus September 30, 2018: 2.00%) and other financial liabilities decreased by €(1.3) million due to an early settlement of the finance lease arrangement for a Romania Powerise® production building that is now owned by Stabilus.

CURRENT LIABILITIES

Current liabilities decreased from €162.8 million as of September 30, 2017, by €(1.8) million or 1.1% to €161.0 million. The current financial liabilities decreased by the reclassification of financial liabilities from short-term to long-term amounting to €8.9 million. This decrease is partly offset by an increase in trade accounts payable by €4.1 million or 5.2% and an increase in provisions by €1.9 million or 5.6% in line with our revenue growth.

LIQUIDITY

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities increased by €23.6 million from €121.9 million in fiscal year 2017 to €145.5 million in fiscal year 2018. This increase is mainly due to the strong revenue and earnings growth and partly offset by higher net working capital as a consequence of the continuing growth.

CASH FLOW FROM INVESTING ACTIVITIES

Cash outflow for investing activities increased from €(44.1) million in fiscal year 2017 to €(45.3) million in fiscal year 2018. This increase is due to higher capital expenditure in property plant and equipment of €3.1 million and was partly offset by proceeds from disposal of property plant and equipment.

CASH FLOW FROM FINANCING ACTIVITIES

Cash outflow from financing activities decreased from €(83.7) million in fiscal year 2017 by €58.2 million to €(25.5) million in fiscal year 2018. The high cash outflow in fiscal year 2017 is substantially due to repayments of the term loan facility amounting to € 62.5 million. In addition, cash interest in fiscal year 2018 is €(4.4) million lower compared to the fiscal year 2017 reflecting the lower interest margin based on the improved net leverage ratio of the Group and the reduced outstanding nominal amount. The decrease was offset by increased dividends of €(19.8) million (PY: €(12.4) million) paid to our shareholders in February 2018.

Cash flows

T_009

	Year ended Sept 30,			
IN € MILLIONS	2018	2017	Change	% change
Cash flow from operating activities	145.5	121.9	23.6	19.4%
Cash flow from investing activities	(45.3)	(44.1)	(1.2)	2.7%
Cash flow from financing activities	(25.5)	(83.7)	58.2	(69.5%)
Net increase / (decrease) in cash	**74.7**	**(5.9)**	**80.6**	**<(100.0)%**
Effect of movements in exchange rates on cash held	0.2	(1.0)	1.2	<(100.0)%
Cash as of beginning of the period	68.1	75.0	(6.9)	9.2%
Cash as of end of the period	**143.0**	**68.1**	**74.9**	**>100.0%**

FREE CASH FLOW (FCF)

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

Free cash flow

T_010

	Year ended Sept 30,			
IN € MILLIONS	2018	2017	Change	% change
Cash flow from operating activities	145.5	121.9	23.6	19.4%
Cash flow from investing activities	(45.3)	(44.1)	(1.2)	2.7%
Free cash flow	**100.2**	**77.8**	**22.4**	**28.8%**

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 excluding other financial liabilities, less cash and cash equivalents. Adjusted EBITDA is defined as 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 1.5x in fiscal year 2017 to 1.1x in fiscal year 2018. See the following table:

Net leverage ratio

T_011

	Year ended Sept 30,			
IN € MILLIONS	2018	2017	Change	% change
Financial debt	342.2	342.5	(0.3)	(0.1%)
Cash and cash equivalents	(143.0)	(68.1)	(74.9)	>100.0%
Net financial debt	199.2	274.4	(75.2)	(27.4%)
Adjusted EBITDA	189.7	179.5	10.2	5.7%
Net leverage ratio	**1.1x**	**1.5x**		

Financial debt

T_012

IN € MILLIONS	Year ended Sept 30, 2018	2017
Financial liabilities (non-current)	318.9	312.0
Financial liabilities (current)	1.1	10.0
Adjustment carrying value	22.2	20.5
Financial debt	**342.2**	**342.5**

Adjusted EBITDA

T_013

IN € MILLIONS	Year ended Sept 30, 2018	2017	Change	% change
Profit from operating activities (EBIT)	**131.9**	**118.4**	**13.5**	**11.4%**
Depreciation	25.5	26.4	(0.9)	(3.4)%
Amortization	32.3	34.7	(2.4)	(6.9)%
EBITDA	**189.7**	**179.5**	**10.2**	**5.7%**
Adjustments	–	–	–	n/a
Adjusted EBITDA	**189.7**	**179.5**	**10.2**	**5.7%**

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

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

Results of operations

The Company's income results from services that are provided to other Stabilus Group entities based on service level agreements amounting to €4.2 million (PY: €3.5 million) and income from affiliated undertakings of €2.5 million (PY: €47.2 million), which relates to the dividend distribution of Blitz F10 neun GmbH, Germany.

Other external expenses increased from €2.1 million in fiscal year 2017 to €3.2 million in fiscal year 2018 basically related to consulting fees.

In fiscal year 2018 we have no comparable amount for value adjustments in respect of financial assets.

The profit for fiscal year 2018 amounted to €1.7 million (PY: €29.9 million).

Financial position

Total assets decreased from €629.8 million as of September 30, 2017, to €605.1 million as of September 30, 2018.

Fixed assets essentially comprise shares in affiliated undertakings which decreased from €628.4 million as of September 30, 2017, to €574.4 million as of September 30, 2018. The Company decreased its investment in Stable II S. à r. l. by distributing €28,000 thousand in May 2018 and €26,000 thousand in September 2018 out of the share premium account of Stable II S. à r. l.

Current assets increased from €1.0 million as of September 30, 2017, to €30.4 million as of September 30, 2018. This driven by an increase in the cash balance by €28.0 million which reflects the distribution from affiliated companies.

The Company's capital and reserves decreased from €619.9 million as of September 30, 2017, to €601.8 million as of September 30, 2018, due to the dividend payment to our shareholders of €19.8 million. This was partly offset by profit for the financial year amounting to €1.7 million.

RISKS AND OPPORTUNITIES

Risk management and control over financial reporting in the Stabilus Group

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

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

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

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

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

Risks and opportunities related to the markets in which we operate

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

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

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

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 63% of our revenue in the fiscal year ended September 30, 2018, 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, 37% of our revenue in the fiscal year ended September 30, 2018, 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 base 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 damage claims 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, 2018.

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, 2018, 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' first Non-Financial Report will be published with this this Annual Report, i.e. on December 14, 2018.

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

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

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

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

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

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

A) For information regarding the structure of capital, reference is made to Note 21 of the Consolidated Financial Statements.
B) The Articles of Incorporation of the Company do not contain any restrictions on the transfer of shares of the Company.
C) According to the voting rights notifications received in fiscal year 2018, the following shareholders held more than 5% of total voting rights attached to Stabilus shares as of September 30, 2018: 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), BlackRock, Inc., Wilmington, DE, USA (indirect: 1,387,422 voting rights attached to shares or 5.62% of total voting rights and 639,767 voting rights or 2.59% of total voting rights, through financial instruments

according to Article 13(1)(b) of Directive 2004 / 109 / EC) 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 four years, Chief Financial Officer three years and other Board members one year. 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 no 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, 2018, there were no further events or developments that could have materially affected the measurement and presentation of Group's assets and liabilities as of September 30, 2018.

OUTLOOK

As last year the global economic environment continues to remain challenging and the IMF in substance predicts constant growth rates on a global level. The overall growth rate is projected to be 3.7% in 2018 and 3.7% in 2019, compared to a growth rate of 3.7% in 2017. Considering the individual countries separately there is a mixed picture of the development of growth rates, as reflected in the October 2018 World Economic Outlook.

As important markets for Stabilus, the Euro Area shows a decreasing growth rate of 2.0% in fiscal year 2018 versus 2.4% in fiscal year 2017, whereas the United States shows an increased growth rate of 2.9% in fiscal year 2018 versus 2.2% in fiscal year 2017. China still shows a decreased but still strong growth rate with 6.6% for fiscal year 2018 versus 6.9% in fiscal year 2017.

IHS Markit, an information services and automotive forecasts provider, expects the worldwide production of light vehicles to increase to around 95.8 million units in calendar year 2018 (+ 0.7% y / y) and around 97.7 million units in calendar year 2019 (+ 2.0% y / y). See table T_002 on page 28 for further details. Considering our product markets we aim to outperform the growth rate of the worldwide light-vehicle production (+ 0.7%) and the growth rate of the global economy (GDP growth: 3.7% in 2018) respectively.

We intend to grow our automotive and industrial business in all operating segments, i.e. in Europe, NAFTA as well as Asia / Pacific and RoW. Considering the current heterogeneous market environment, we expect revenue growth of approximately 5% (y / y constant currency rate of 1.19 $ / € in fiscal year 2019). In Europe and NAFTA we estimate a revenue growth rate of around 3% to 5%. As a result of our ongoing initiatives in China, we aim to grow in Asia / Pacific and RoW with a double digit revenue growth rate.

Assuming an average currency rate of 1.19 $ / €, we expect total revenue of approximately €1,010 million or a revenue growth of approximately 5.0% and an adjusted EBIT margin of around 15.5% for fiscal year 2019.

A five dollar cent lower currency rate assumption (1.14 $ / €) would lead to a €15 million higher revenue expectation (approximately €1,025 million). A five dollar cent higher currency rate assumption (1.24 $ / €) would lead to a €15 million lower revenue expectation (approximately €995 million).

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended September 30, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year ended September 30, 2018

Consolidated statement of comprehensive income

T_014

IN € THOUSANDS	NOTE	Year ended Sept 30, 2018	2017 [3]
Revenue	4	962,564	910,016
Cost of sales	5	(671,407)	(637,164)
Gross profit		**291,157**	**272,852**
Research and development expenses	5	(42,031)	(38,194)
Selling expenses	5	(81,330)	(80,380)
Administrative expenses	5	(38,504)	(35,343)
Other income	6	3,886	3,948
Other expenses	7	(1,296)	(4,494)
Profit from operating activities		**131,882**	**118,389**
Finance income	8	6,704	22,323
Finance costs	9	(12,084)	(29,799)
Profit / (loss) before income tax		**126,502**	**110,913**
Income tax income / (expense)	10	(21,147)	(31,670)
Profit / (loss) for the period		**105,355**	**79,243**
thereof attributable to non-controlling interests		(55)	(12)
thereof attributable to shareholders of Stabilus		105,410	79,255
Other comprehensive income / (expense)			
Foreign currency translation difference [1]	21	4,115	3,328
Unrealized actuarial gains and losses [2]	21	471	3,306
Other comprehensive income / (expense), net of taxes		**4,586**	**6,634**
Total comprehensive income / (expense) for the period		**109,941**	**85,877**
thereof attributable to non-controlling interests		(55)	(12)
thereof attributable to shareholders of Stabilus		109,996	85,889
Earnings per share (in €):			
basic	11	4.27	3.21
diluted	11	4.27	3.21

[1] Item that may be reclassified ('recycled') to profit and loss at a future point in time when specific conditions are met.
[2] Item that will not be reclassified to profit and loss.
[3] The comparative figures for other income and other expense have been adjusted for the change of the presentation of foreign currency translation gains and losses. These have been presented on a gross basis in the past. This has changed to a net presentation. For details pls. refer to Note 6.
The accompanying Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of September 30, 2018

Consolidated statement of financial position

T _ 015

IN € THOUSANDS	NOTE	Sept 30, 2018	Sept 30, 2017
Assets			
Property, plant and equipment	12	179,225	169,659
Goodwill	13	195,231	194,184
Other intangible assets	14	247,181	268,911
Other assets	16	3,951	2,951
Deferred tax assets	10	15,088	12,083
Total non-current assets		**640,676**	**647,788**
Inventories	17	90,763	85,262
Trade accounts receivable	18	111,271	105,147
Current tax assets	19	5,292	5,802
Other financial assets	15	3,407	5,155
Other assets	16	16,033	12,718
Cash and cash equivalents	20	143,000	68,123
Total current assets		**369,766**	**282,207**
Total assets		**1,010,442**	**929,995**

Consolidated statement of financial position

T_015

IN € THOUSANDS	NOTE	Sept 30, 2018	Sept 30, 2017
Equity and liabilities			
Issued capital	21	247	247
Capital reserves	21	225,848	225,848
Retained earnings	21	225,090	139,440
Other reserves	21	(24,612)	(29,198)
Equity attributable to shareholders of Stabilus		**426,573**	**336,337**
Non-controlling interests		(50)	43
Total equity		**426,523**	**336,380**
Financial liabilities	22	318,921	311,951
Other financial liabilities	23	520	1,830
Provisions	24	3,402	3,771
Pension plans and similar obligations	25	52,180	53,236
Deferred tax liabilities	10	47,847	60,036
Total non-current liabilities		**422,870**	**430,824**
Trade accounts payable	26	83,171	79,073
Financial liabilities	22	1,100	10,000
Other financial liabilities	23	10,867	9,613
Current tax liabilities	27	16,366	15,612
Provisions	24	34,920	33,061
Other liabilities	28	14,625	15,432
Total current liabilities		**161,049**	**162,791**
Total liabilities		**583,919**	**593,615**
Total equity and liabilities		**1,010,442**	**929,995**

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, 2018

Consolidated statement of changes in equity

T_016

IN € THOUSANDS	NOTE	Issued capital	Capital reserves	Retained earnings	Other reserves	Equity attributable to shareholders of Stabilus	Non-controlling interests	Total equity
Balance as of Sept 30, 2016		**247**	**225,848**	**72,535**	**(35,832)**	**262,798**	**94**	**262,892**
Profit / (loss) for the period		–	–	79,255	–	79,255	(12)	79,243
Other comprehensive income / (expense)	21	–	–	–	6,634	6,634	–	6,634
Total comprehensive income for the period		–	–	79,255	6,634	85,889	(12)	85,877
Dividends		–	–	(12,350)	–	(12,350)	(54)	(12,404)
Receipts from non-controlling interest		–	–	–	–	–	15	15
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)	21	–	–	–	4,586	4,586	–	4,586
Total comprehensive income for the period		–	–	105,410	4,586	109,996	(55)	109,941
Dividends	21	–	–	(19,760)	–	(19,760)	(38)	(19,798)
Receipts from non-controlling interest		–	–	–	–	–	–	–
Balance as of Sept 30, 2018		**247**	**225,848**	**225,090**	**(24,612)**	**426,573**	**(50)**	**426,523**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year ended September 30, 2018

Consolidated statement of cash flows

T_017

IN € THOUSANDS	NOTE	Year ended Sept 30, 2018	2017
Profit / (loss) for the period		105,355	79,243
Income tax expense		21,147	31,670
Net finance result	8/9	5,380	7,476
Interest received		265	230
Depreciation and amortization (incl. impairment losses)	12/14	57,816	61,102
Gains / losses from the disposal of assets		(89)	(49)
Changes in inventories		(5,501)	(10,581)
Changes in trade accounts receivable		(6,124)	(7,547)
Changes in trade accounts payable		4,098	(1,316)
Changes in other assets and liabilities		(947)	(7,716)
Changes in provisions		416	1,504
Income tax payments	34	(36,361)	(32,090)
Cash flow from operating activities		**145,455**	**121,926**
Proceeds from disposal of property, plant and equipment		2,243	980
Purchase of intangible assets	14	(10,900)	(11,552)
Purchase of property, plant and equipment	12	(36,630)	(33,497)
Cash flow from investing activities		**(45,287)**	**(44,069)**
Receipts under financial liabilities		6,427	–
Payments for redemption of financial liabilities		(563)	–
Receipts from non-controlling interests		–	15
Payments for redemption of senior facilities		(6,427)	(62,500)
Payments for finance leases	29	(1,253)	(547)
Dividends paid	21	(19,760)	(12,350)
Dividends paid to non-controlling interests		(38)	(54)
Payments for interest	34	(3,837)	(8,280)
Cash flow from financing activities		**(25,451)**	**(83,716)**
Net increase / (decrease) in cash and cash equivalents		**74,717**	**(5,859)**
Effect of movements in exchange rates on cash held		160	(1,055)
Cash and cash equivalents as of beginning of the period		68,123	75,037
Cash and cash equivalents as of end of the period		**143,000**	**68,123**

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, 2018

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. B0151589 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, 2018.

2 Basis for presentation

PREPARATION

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

MEASUREMENT

The consolidated financial statements have been prepared on 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 18.

Deferred tax assets

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

Provisions

Significant estimates are required in the determination of provisions related to pensions and other obligations, contract losses, warranty costs and legal proceedings. Please also refer to Notes 24 and 25.

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. One part of the term loan agreement ends in June 2022 and another part ends in June 2023. Please also refer to Note 32.

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., 33 (PY: 38) subsidiaries (see following list), are included in the consolidated financial statements as of September 30, 2018.

Subsidiaries

T _ 018

NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
Blitz F10-neun GmbH	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
LinRot Holding AG i.L.	Zurich, Switzerland	Stable II S.à r.l.	100.00%	Full
Stabilus UK Ltd.	Banbury, United Kingdom	Stable Beteiligungs GmbH	100.00%	Full
Stable UK HoldCo Ltd.	Banbury, United Kingdom	Stabilus UK Ltd.	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
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 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
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 2018, five subsidiaries were liquidated and / or merged into other Group companies. 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 (excluding goodwill) 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 currency 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. These 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. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the historic rate.

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_019

		Closing rate Sept 30,		Average rate for the year ended Sept 30,	
COUNTRY	ISO CODE	2018	2017	2018	2017
Australia	AUD	1.6048	1.5075	1.5657	1.4512
Brazil	BRL	4.6535	3.7635	4.1775	3.5306
China	CNY	7.9662	7.8534	7.7818	7.5209
South Korea	KRW	1,285.7500	1,351.8300	1,303.1971	1,266.6493
Mexico	MXP	21.7800	21.4614	22.6385	21.1129
Romania	RON	4.6638	4.5993	4.6439	4.5461
USA	USD	1.1576	1.1806	1.1906	1.1041

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, 2018. In financial year 2018, the following new and revised standards and interpretations had to be applied for the first time in the Group's financial statements:

New standards, interpretations and amendments in the financial year

T _ 020

STANDARD / INTERPRETATION		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
Amendments to IAS 7	Disclosure Initiative (issued on January 29, 2016)	January 1, 2017	January 1, 2017	Extended disclosures in the notes
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses (issued on January 19, 2016)	January 1, 2017	January 1, 2017	No impact
Annual Improvements	Annual Improvements to IFRSs 2014-2016 Cycle (issued on December 8, 2016)	January 1, 2017 (IFRS 12 only)	January 1, 2017 (IFRS 12 only)	No impact

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

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

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
IFRS 16	Leases (issued on January 13, 2016)	January 1, 2019	January 1, 2019	Reference is made to the descriptions below
IFRIC 22	Foreign Currency Transactions and Advance Consideration (issued on December 8, 2016)	January 1, 2018	January 1, 2018	No impact
IFRIC 23	Uncertainty over Income Tax Treatments (issued on June 7, 2017)	January 1, 2019	January 1, 2019	Evaluating
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 IFRS 9	Prepayment Features with Negative Compensation (issued on October 12, 2017)	January 1, 2019	January 1, 2019	Evaluating
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

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

AMENDMENTS TO IAS 7: DISCLOSURE INITIATIVE

Amendments to IAS 7: Disclosure Initiative requires that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are intended to expand the disclosure of components of changes in liabilities arising from financing activities for the purpose of reconciliation. Consequently, the amendments lead to additional disclosures in the notes and therefore have no impact on Stabilus Group's results.

AMENDMENTS TO IAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALIZED LOSSES

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses clarify that unrealized losses on debt instruments measured at fair value result in deductible temporary differences. It also clarifies that an assessment must be made for the aggregate of all deductible temporary differences as to whether it is probable that sufficient taxable income will be available in future, to allow the temporary differences to be used and recognized. Rules and examples supplementing IAS 12 clarify how future taxable income is to be determined for recognition of deferred tax assets. The Amendments have no impact on Stabilus Group's results.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments introduces a universal approach to the classification and measurement of financial assets and financial liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with IFRS 9, all financial assets and liabilities are measured at amortized cost or fair value. The classification of financial assets to one of the two measurement categories is based on how an entity manages its financial instruments (so-called “business model”) and the contractual cash flow characteristics of the financial assets. The reclassification of trade receivables that are to be sold under a factoring agreement from the IAS 39 measurement category to the IFRS 9 measurement category will have no material impact on Stabilus Group’s consolidated financial statements accordingly.

Furthermore, IFRS 9 adds a new expected loss impairment model that is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate. Stabilus Group has decided to exercise the option to apply the simplified approach for trade receivables to measure the loss allowance at an amount equal to lifetime expected credit losses (ECL) at initial recognition and throughout its life. As a practical expedient, a provision matrix based on its historical observed default rates adjusted for forward-looking estimates is used to estimate the expected credit losses (ECL) for these financial instruments.

In addition, IFRS 9 establishes a new hedging model that represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. These new hedge accounting requirements of IFRS 9 will not have a material impact on Stabilus Group’s consolidated financial statements.

IFRS 9 will be applied for the first time in the annual reporting period beginning on October 1, 2018 (the Group's financial year 2019). In general, IFRS 9 must be applied retrospectively, but various transition options are allowed. Pursuant to the transition provisions in IFRS 9, Stabilus Group has elected to use the option for simplified initial application as described in IFRS 9. This means that prior year comparatives to be presented in the year of initial application will not be restated; instead, Stabilus Group will provide an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period. The Stabilus Group is currently finalizing the data analysis for the determination of the quantitative effects resulting from the implementation of the new impairment model. The data analysis relates to portfolios of homogeneous customer groups for determining the valuation allowance. Based on our current assessment, the overall effect of the required adjustments for all portfolios should be in the low one-digit million EUR range and the evaluation process is expected to be finalized within the next couple of weeks. For cash and cash equivalents there we will not have a material effect from the transition to the new impairment model of IFRS 9. However, as IFRS 9 requires extensive disclosures, the first-time adoption will lead to extended disclosures in the notes. The cumulative effects of the conversion, arising particularly from the remeasurement of trade receivables, will be recognized as an adjustment to the opening balance of equity in the annual reporting period of initial application, beginning on October 1, 2018 (the Group's financial year 2019).

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, IFRIC 15, IFRIC 18 and SIC 13). 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. IFRS 15 also adds the items "Contract Assets" and "Contract Liabilities" to the balance sheet. Furthermore, the standard includes detailed guidance and extended disclosure requirements.

The new standard will be applied for the first time in the annual reporting period beginning on October 1, 2018 (the Group's financial year 2019), using the modified retrospective transition method, limiting the retroactive application of IFRS 15 to customer contracts that have not yet been completely fulfilled at the date of initial application. The effects of IFRS 15 were analysed as part of a group-wide project for 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 the new standard will not have a material impact on Stabilus Group's consolidated financial statements. The cumulative effects of the conversion will be recorded to the opening balance as of October 1, 2018 (the Group's financial year 2019). Based on our evaluation this effect will not have a material impact on Stabilus Group´s consolidated financial statements. Prior year comparatives to be presented in the year of initial application will not be restated; instead, Stabilus Group will provide an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 15 for the first time.

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, SIC-15 and SIC-27). The objective of the new leasing standard is to recognize all leases and their associated contractual rights and obligations in 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 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. As a result, non-current assets and financial debt will both increase in future financial years. Furthermore, changes will also arise in the income statement. To date, rental payments in connection with operating lease agreements were mainly included as expenses within operating expenses. In future financial years, these expenses will be split into depreciation and interest expenses and recognized accordingly. IFRS 16 is applicable to annual reporting periods beginning on or after January 1, 2019. Stabilus Group is planning to apply the modified retrospective transition method, according to which the cumulative effects of the conversion to the opening balance as of October 1, 2019 must be recorded. The effects are currently analysed as part of a group-wide project for implementing IFRS 16. Due to the volume of future minimum lease payments under non-cancellable operating leases in relation to the balance sheet total, Stabilus Group currently assumes that the first-time and ongoing application of IFRS 16 will not have a material impact on its consolidated financial statements.

The IASB published new standards and amendments, whose application is not yet compulsory in financial year 2018 or which have not yet been endorsed by the EU. The Group is not planning an early application of these standards and amendments.

New standards, interpretations and amendments issued but not yet endorsed by the EU T_022

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement (issued on February 7, 2018)	January 1, 2019	Pending	Evaluating
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	January 1, 2019	Pending	No impact
Annual Improvements	Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 12, 2017)	January 1, 2019	Pending	Evaluating
Amendments to IFRS 3	Business Combinations (issued on October 22, 2018)	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
IFRS 17	Insurance Contracts (issued May 18, 2017)	January 1, 2021	Pending	No impact

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

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. These amendments will apply only to any future plan amendments, curtailments, or settlements of Stabilus Group.

Besides the Amendments to IAS 19, the other in the table above mentioned new and revised standards, interpretations and amendments issued but not yet endorsed by the EU will probably have no material impact on the Stabilus Group's consolidated financial statements.

3 Accounting policies

REVENUE

Revenue is recognized to the extent that 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. In fiscal year 2018, the presentation format of the other income and expenses has been changed in the statement of the foreign currency translation. In our view the presentation of a net basis for the foreign currency translation gives more useful information to the reader of our financial statements. The presentation of prior years has been changed accordingly.

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 at the acquisition date goodwill is allocated to cash-generating units (CGU) that are expected to benefit from the business combination. Goodwill is tested for impairment at the lowest level within the Group at which goodwill is being managed.

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.

Financial instruments are initially measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories defined in IAS 39 "Financial Instruments: Recognition and Measurement". The measurement categories relevant for Stabilus are loans and receivables, financial assets at fair value through profit or loss and financial liabilities measured at amortized costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Examples include trade accounts receivable and loans originated by the Group. After initial recognition, loans and receivables 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 loans and receivables are derecognized or impaired. Interest from using the effective interest rate method is similarly recognized in profit or loss. Loans and receivables bearing no or lower interest rates compared to market rates with a maturity of more than one year are discounted.

FINANCIAL ASSETS

In addition to financial instruments assigned to a measurement category, financial assets also include cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand, checks and deposits at banks. The Group considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents correspond with the classification in the consolidated statement of cash flows. Interest received on these financial assets is generally recognized in profit or loss applying the effective interest rate method. Dividends are recognized in profit or loss when legal entitlement to the payment arises.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the carrying amounts of the financial assets, except those measured at fair value through profit or loss, are investigated to assess whether objective evidence of impairment (such as the debtor's inability to meet its current obligations or significant changes in the technological, economic, legal or the market environment of the debtor) exists. For equity instruments a significant or prolonged decline in fair value is considered to be objective evidence for impairment. Stabilus has defined criteria for the significance and duration of a decline in fair value.

Loans and receivables

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). 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. Any subsequent reversal of an impairment loss is recognized in profit or loss. In relation to trade accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will be unable to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

DERIVATIVE FINANCIAL INSTRUMENTS

As of September 30, 2018, and September 30, 2017, 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. Stabilus considers the hedge related to a business combination as a hedge of a non-financial item and recognizes the gain or loss from the hedging instrument recognized in other comprehensive income as an adjustment to goodwill.

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

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.

Financial liabilities at fair value through profit or loss

As of September 30, 2018, and 2017, the Group does not measure any financial liabilities at fair value through profit or loss.

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 Revenue

The Group's revenue developed as follows:

Revenue by region

T _ 023

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Europe	491,323	456,306
NAFTA	348,127	350,737
Asia / Pacific and RoW	123,114	102,973
Revenue	**962,564**	**910,016**

Revenue by market

T _ 024

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Automotive Gas Spring	342,253	340,475
Automotive Powerise®	268,349	243,210
Automotive business	610,602	583,685
Industrial / Capital Goods	220,032	204,408
Vibration & Velocity Control	101,580	93,920
Commercial Furniture	30,350	28,003
Industrial business	351,962	326,331
Revenue	**962,564**	**910,016**

Group revenue results from sales of goods. Stabilus operates in automotive and industrial markets. The Automotive Gas Spring and Automotive Powerise® units service our automotive customers, whereas Industrial / Capital Goods, Vibration & Velocity Control as well as Commercial Furniture units supply our industrial customers.

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

Expenses by function

T_025

IN € THOUSANDS	Year ended 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 € THOUSANDS	Year ended 30, 2017				
	Cost of sales	Research & development expenses	Selling expenses	Adminis-trative expenses	**Total**
Capitalized development cost	–	11,405	–	–	**11,405**
Personnel expenses	(156,151)	(19,054)	(30,877)	(34,350)	**(240,432)**
Material expenses	(429,810)	(6,004)	(11,356)	(5,266)	**(452,436)**
Depreciation and amortization	(30,692)	(15,770)	(12,006)	(2,634)	**(61,102)**
Other	(20,511)	(8,771)	(26,141)	6,907	**(48,516)**
Total	**(637,164)**	**(38,194)**	**(80,380)**	**(35,343)**	**(791,081)**

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

Personnel expenses

T_026

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Wages and salaries	(184,795)	(172,819)
Compulsory social security contributions	(46,729)	(42,694)
Pension cost	(15,399)	(15,061)
Other social benefits	(11,122)	(9,858)
Personnel expenses	**(258,045)**	**(240,432)**

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

Number of employees T_027

	Year ended Sept 30, 2018	2017
Wage earners	4,874	4,523
Salaried staff	1,461	1,341
Trainees and apprentices	108	100
Average number of employees	**6,443**	**5,964**

6 Other income

In fiscal year 2018, the presentation format of the other income and expenses was changed in the statement for the foreign currency translation. In our view the presentation of a net basis of the foreign currency translation provides more useful information to the reader of our financial statements. The presentation of prior years was changed accordingly. In previous year the foreign currency translation gains were €8,817 thousand and the foreign currency translation losses were €(12,202) thousand.

Other income T_028

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Net foreign currency translation gains	18	–
Gains on sale / disposal of assets	434	276
Income from the release of other accruals	322	287
Miscellaneous other income	3,112	3,385
Other income	**3,886**	**3,948**

7 Other expenses

Other expenses

T_029

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Net foreign currency translation losses	–	(3,385)
Losses on sale / disposal of tangible assets	(345)	(227)
Miscellaneous other expenses	(951)	(882)
Other expenses	**(1,296)**	**(4,494)**

8 Finance income

Finance income

T_030

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Interest income on loans and financial receivables not measured at fair value through profit and loss	238	185
Net foreign exchange gain	–	–
Gains from changes in carrying amount of financial liabilities	6,439	22,093
Other interest income	27	45
Finance income	**6,704**	**22,323**

Finance income decreased from €22.3 million in fiscal year 2017 to €6.7 million in fiscal year 2018. Finance income is substantially due to the adjustment of the carrying value of the term loan facility. In the current year this reflects the extension of the term by one year (€3.4 million), a further decrease in the margin in February 2018 (€1.3 million) and changed assumptions for voluntary prepayments (€1.7 million). In the prior year this reflects the decrease in the margin (€17.5 million) and last year’s extension of the term by one year (€4.6 million).

9 Finance costs

Finance costs

T_031

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Interest expense on financial liabilities not measured at fair value through profit and loss	(8,522)	(12,853)
Net foreign exchange loss	(2,624)	(16,471)
Interest expenses finance lease	(29)	(69)
Other interest expenses	(909)	(406)
Finance costs	**(12,084)**	**(29,799)**

Finance costs decreased from €(29.8) million in fiscal year 2017 to €(12.1) million in fiscal year 2018. Finance costs in fiscal year 2018 comprised interest expense of €(8.5) million (PY: €(12.8) million) and net foreign exchange losses of €(2.6) million (PY: €(16.5) million).

Interest expense on financial liabilities include ongoing interest expense of €(8.5) million (PY: €(9.6) million) especially related to the euro term loan facility. Thereof, an amount of €(3.8) million (PY: €(8.3) million) is cash interest. This decrease reflects the lower margin based on the improved net leverage ratio of the Group and the reduced outstanding nominal amount. In addition, an amount of €(4.7) million (PY: €(2.4) million) is due to the amortization of debt issuance cost and the amortization of adjustments of the carrying value by using the effective interest rate method. In the prior year prepayments of the euro term loan facility lead to a derecognition of unamortized debt issuance cost and unamortized adjustments of the carrying value with a total amount of €(3.1) million.

Net foreign exchange losses are a result of financial assets and liabilities of group entities denominated in foreign currency. The reduction compared to prior year is due to certain measures we took to reduce our foreign exchange exposure.

10 Income tax expense

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

Income tax expense

T_032

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Current income taxes	(36,560)	(37,893)
Deferred taxes	15,413	6,223
Income tax expense	**(21,147)**	**(31,670)**

The respective local rates have been used to calculate the deferred taxes. The current income taxes comprise prior year taxes amounting to €6,282 thousand (PY: €(1,793) thousand).

The actual income tax expense of €(21,147) thousand deviates in the amount of €16,803 thousand from the expected tax expense of €(37,950) thousand that results from applying the expected income tax rate of 30% to the Group’s profit or loss before income taxes. 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_033

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Profit / (loss) before income tax	**126,502**	**110,913**
Expected income tax expense	**(37,950)**	**(33,273)**
Foreign tax rate differential	7,440	5,677
Tax-free income	1,802	3,292
Non-deductible expenses	(3,776)	(5,958)
Prior year taxes	6,282	(1,793)
Change of the valuation allowance on deferred tax assets	904	518
Tax rate changes	3,445	96
Other	706	(230)
Actual income tax expense	**(21,147)**	**(31,670)**
Effective tax rate	**16.7%**	**28.6%**

The tax effect reported as a foreign tax rate differential reflects the difference between the expected tax rate of 30% and the actual tax rates that are applicable to the individual subsidiaries. The decrease in the effective tax rate compared to the prior year was primarily driven to remasurement of the deferred tax position of our US operations relating to the US tax reform. The US tax reform reduces the federal income tax rate from 35% to 21% and become effective on January 1, 2018. 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_034

	Sep 30, 2018			Sep 30, 2017		
IN € THOUSANDS	DTA	DTL	**Total**	DTA	DTL	Total
Intangible assets	227	(58,923)	(58,696)	165	(71,393)	(71,228)
Property, plant & equipment	2,599	(8,788)	(6,189)	3,000	(7,522)	(4,522)
Inventories	3,260	(123)	3,137	3,255	(83)	3,172
Receivables	773	(71)	702	493	(1,124)	(631)
Other assets	215	(285)	(70)	584	(3,401)	(2,817)
Provisions and liabilities	14,951	(567)	14,384	14,511	(1,044)	13,467
Tax and interest losses	13,973	–	13,973	14,606	–	14,606
Subtotal	**35,998**	**(68,757)**	**(32,759)**	**36,614**	**(84,567)**	**(47,953)**
Netting	(20,910)	20,910	–	(24,531)	24,531	–
Total	**15,088**	**(47,847)**	**(32,759)**	**12,083**	**(60,036)**	**(47,953)**

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.

As of September 30, 2018, the Group has unused tax loss carry-forwards (including German and US interest loss carry-forwards) of €52,886 thousand (PY: €59,949 thousand).

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_035

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
Great Britain	–	–	–	–	–	–
Brazil	319	30.0%	96	–	96	Indefinite
Total	**52,886**		**15,453**	**(1,480)**	**13,973**	

IN € THOUSANDS	Year ended Sept 30, 2017					
	Tax loss and interest carry-forward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	47,693	27 – 30%	12,872	(698)	12,175	Indefinite
Spain	5,192	28.0%	1,454	(1,454)	–	Indefinite
USA	5,666	36.2%	2,049	–	2,049	Within 20 years
Great Britain	273	22.0%	60	(60)	–	Indefinite
Brazil	1,125	34.0%	383	–	383	Indefinite
Total	**59,949**		**16,818**	**(2,212)**	**14,606**	

The interest carry-forward comes from our German entities with an amount of €30,588 thousand and a gross deferred tax asset of €8,213 thousand and from our US entities with an amount of €14,754 thousand and a gross deferred tax asset of €5,164 thousand of which a deferred tax assets of €13,377 thousand was shown in the balance sheet. The unused tax loss carry-forward comprises €7,544 thousand relating to corporate tax and trade tax. The amount recognized as a deferred tax asset is calculated under consideration of the actual corporate planning and its utilization within the planning period.

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

11 Earnings per share

The weighted average number of shares used for the calculation of earnings per share in the fiscal years ended September 30, 2018 and 2017 is set out in the following table:

Weighted average number of shares

T_036

DATE	Number of days	Transaction	Change	Total shares	Total shares (time-weighted)
September 30, 2016				**24,700,000**	**21,668,547**
October 1, 2016	365			24,700,000	24,700,000
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**

The earnings per share for the fiscal years ended September 30, 2018 and 2017, were as follows:

Earnings per share

T_037

	Year ended Sept 30, 2018	2017
Profit / (loss) attributable to shareholders of the parent (in € thousands)	105,410	79,255
Weighted average number of shares	24,700,000	24,700,000
Earnings per share (in €)	**4.27**	**3.21**

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

12 Property, plant and equipment

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

Property, plant and equipment

T_038

IN € THOUSANDS	Land, equivalent rights to real property	Buildings and land improvements	Technical equipment and machinery	Other tangible equipment	Construction in progress	Total
Gross value						
Balance as of Sept 30, 2016	**13,586**	**51,072**	**170,562**	**44,111**	**21,912**	**301,243**
Foreign currency difference	(181)	(1,307)	(4,976)	(1,759)	(315)	(8,538)
Additions	2,817	744	11,886	6,317	11,972	33,736
Disposals	(1,179)	(1,987)	(1,719)	(2,226)	(833)	(7,944)
Reclassifications	–	526	13,986	2,032	(16,544)	–
Balance as of Sept 30, 2017	**15,043**	**49,048**	**189,739**	**48,475**	**16,192**	**318,497**
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**
Accumulated depreciation						
Balance as of Sept 30, 2016	**–**	**(12,728)**	**(90,500)**	**(29,627)**	**(819)**	**(133,674)**
Foreign currency difference	–	579	3,031	1,326	–	4,936
Depreciation expense	–	(2,620)	(16,769)	(7,005)	–	(26,394)
Thereof impairment loss	–	–	*(389)*	*(5)*	–	*(394)*
Disposal	–	1,648	1,630	2,197	819	6,294
Reclassifications	–	–	(3)	3	–	–
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)**
Carrying amount						
Balance as of Sept 30, 2017	**15,043**	**35,927**	**87,128**	**15,369**	**16,192**	**169,659**
Balance as of Sept 30, 2018	**15,045**	**35,171**	**89,758**	**15,698**	**23,553**	**179,225**

Property, plant and equipment include assets resulting from one finance lease contract with a carrying amount of €1,610 thousand (PY: €3,767 thousand).

In fiscal year 2018, Stabilus Group did not receive government grants (PY: €0 thousand).

Government grants received in the past 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 €11,520 thousand (PY: €5,775 thousand).

The Group did not recognize impairment losses on property, plant and equipment in the actual year (PY: €394 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_039

	Year ended Sept 30,	
IN € THOUSANDS	2018	2017
Cost of sales	(22,564)	(23,599)
Research and development expenses	(882)	(955)
Selling expenses	(587)	(468)
Administrative expenses	(1,487)	(1,372)
Depreciation expense	**(25,520)**	**(26,394)**

Prepayments by the Stabilus Group for property, plant and equipment and intangible assets of €1,242 thousand (PY: €507 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.

13 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 an 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. These acquisitions resulted in total goodwill of €198.6 million (PY: €198.6 million). On the relevant acquisition date goodwill is allocated to the operating segments (CGUs) based on their relative fair values. As such €112.4 million have been allocated to Europe, €73.3 million to NAFTA and €12.9 million to Asia / Pacific and Rest of World (RoW).

The foreign currency difference in fiscal year 2018 on goodwill is €1.0 million in prior years the foreign currency difference was €(4.4) 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: 1.8%) for Europe, 3.9% (PY: 2.6%) for NAFTA and 15.4% (PY: 16.1%) 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 8.5% (PY: 8.9%) for Europe, 8.5% (PY: 8.6%) for NAFTA and 8.6% (PY: 8.8%) 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 _ 040

	Sept. 30, 2018		
IN PERCENT	Input data required for carrying amount to equal recoverable amount		
	Europe	NAFTA	RoW
Discount rate	19.1	21.1	16.9
Budgeted gross margin reduction to plan	8.8	8.3	6.9

14 Other intangible assets

Other intangible assets are presented in the following table:

Intangible assets

T_041

IN € THOUSANDS	Develop-ment cost	Develop-ment cost under construc-tion	Software	Patents	Customer relation-ship	Tech-nology	Trade name	Total
Gross value								
Balance as of Sept 30, 2016	**83,899**	**22,492**	**8,885**	**1,320**	**206,449**	**69,654**	**16,839**	**409,538**
Foreign currency difference	(1,155)	764	(867)	(13)	(2,327)	(406)	(65)	(4,069)
Additions	1,773	7,583	2,401	3	–	–	–	11,760
Disposals	(14,287)	–	(666)	–	–	–	–	(14,953)
Reclassifications	14,332	(15,659)	1,327	–	–	–	–	–
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**
Accumulated amortization								
Balance as of Sept 30, 2016	**(41,858)**	**–**	**(5,631)**	**(1,079)**	**(24,498)**	**(35,745)**	**(4,912)**	**(113,723)**
Foreign currency difference	497	–	108	12	228	32	14	891
Amortization expense	(14,628)	–	(2,127)	(78)	(10,859)	(5,765)	(1,251)	(34,708)
Thereof impairment loss	*(2,390)*	–	*(76)*	–	–	–	–	*(2,466)*
Disposals	13,537	–	638	–	–	–	–	14,175
Reclassifications	–	–	–	–	–	–	–	–
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)**
Carrying amount								
Balance as of Sept 30, 2017	**42,110**	**15,180**	**4,068**	**165**	**168,993**	**27,770**	**10,625**	**268,911**
Balance as of Sept 30, 2018	**39,860**	**12,304**	**4,515**	**113**	**158,912**	**22,081**	**9,396**	**247,181**

Additions to intangible assets in the fiscal year 2018 amounting to €10,771 thousand (PY: €11,760 thousand) and mainly comprised capitalized development cost amounting to €8,669 thousand (PY: €9,356 thousand) (less related customer contributions). Amortization of capitalized internal development projects amounted to €12,339 thousand (PY: €14,628 thousand). The borrowing costs capitalized during the period amounted to €129 thousand (PY: €208 thousand). A capitalization rate was used to determine the amount of borrowing costs. The capitalization rate used in the fiscal year 2018 was 1,05% (PY: from October 2016 to April 2017 was 2.0%, and from May to September 2017 was 1.5%). 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_042

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Cost of sales	(7,264)	(7,093)
Research and development expenses	(12,531)	(14,628)
Selling expenses	(11,263)	(11,537)
Administrative expenses	(1,238)	(1,450)
Amortization expense (incl. impairment loss)	**(32,296)**	**(34,708)**

Amortization expenses on development costs include impairment losses of €1,671 thousand (PY: €2,390 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 €1,538 thousand (PY: €1,686 thousand).

15 Other financial assets

Other financial assets T_043

	Sept 30, 2018			Sept 30, 2017		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Other miscellaneous	3,407	–	3,407	5,155	–	5,155
Other financial assets	**3,407**	**–**	**3,407**	**5,155**	**–**	**5,155**

OTHER MISCELLANEOUS

Other miscellaneous financial assets in the fiscal year 2018 mainly comprise assets related to the sale of trade accounts receivable (€23.9 million (PY: €27.6 million)) amounting to €3,407 thousand (PY: €3,657 thousand). The decrease is mainly due to the payment of the receivable from the sale of the land and building of Stabilus Spain.

16 Other assets

Other assets

T_044

	Sept 30, 2018			Sept 30, 2017		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
VAT	5,941	–	5,941	3,570	–	3,570
Prepayments	3,299	1,242	4,541	3,062	507	3,569
Deferred charges	4,737	–	4,737	4,274	–	4,274
Other miscellaneous	2,056	2,709	4,765	1,812	2,444	4,256
Other assets	**16,033**	**3,951**	**19,984**	**12,718**	**2,951**	**15,669**

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

17 Inventories

Inventories

T_045

IN € THOUSANDS	Sept 30, 2018	Sept 30, 2017
Raw materials and supplies	42,536	39,876
Finished products	23,469	22,095
Work in progress	14,439	14,203
Merchandise	10,319	9,088
Inventories	**90,763**	**85,262**

Inventories that are expected to be turned over within twelve months amounted to €90,763 thousand (PY: €85,262 thousand). Write-downs on inventories to net realizable value amounted to €(11,147) thousand (PY: €(10,068) thousand). In the reporting period raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to €(443,639) thousand (PY: €(429,810) thousand).

The Stabilus Group's prepayments for inventories amounting to €1,695 thousand (PY: €1,607 thousand) are included in prepayments in other current assets.

18 Trade accounts receivable

Trade accounts receivable include the following items:

Trade accounts receivable T_046

IN € THOUSANDS	Sept 30, 2018	Sept 30, 2017
Trade accounts receivable	113,849	107,693
Allowance for doubtful accounts	(2,578)	(2,546)
Trade accounts receivable	**111,271**	**105,147**

Trade accounts receivable increased in the fiscal year ended September 30, 2018 mainly due to the higher sales partly compensated by the additional sale of receivables to factors.

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 upon factors such as the credit risk of specific customers, historical trends and other information.

The allowances for doubtful accounts developed as follows:

Allowance for doubtful accounts T_047

IN € THOUSANDS	Sept 30, 2018	Sept 30, 2017
Allowance for doubtful accounts as of beginning of fiscal year	**(2,546)**	**(2,227)**
Foreign currency differences	3	75
Increase in the allowance	(261)	(460)
Decrease in the allowance	226	66
Allowance for doubtful accounts as of fiscal year-end	**(2,578)**	**(2,546)**

19 Current tax assets

Current tax assets are measured at the amount expected to be recovered from the taxation authorities when the amount already paid in respect of current and prior periods exceeds the amount due for those periods.

20 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, i.e. liquid funds and demand deposits. As of September 30, 2018, it amounted to €143,000 thousand (PY: €68,123 thousand). Cash in banks earned marginal interest at floating rates based on daily bank deposit rates.

21 Equity

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

Issued capital

Issued capital as of September 30, 2018, 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 €315 thousand represented by a maximum of 31.5 million shares, each with nominal value of €0.01.

Capital reserves

Capital reserves as of September 30, 2018, amounted to €225,848 thousand (PY: €225,848 thousand).

Retained earnings

Retained earnings as of September 30, 2018, amounted to €225,090 thousand (PY: €139,440 thousand) and included the Group’s net result in the fiscal year 2018 amounting to €105,410 thousand.

Dividends

In the second quarter of fiscal 2018, a dividend amounting to €19.76 million (PY: 12.35 million) was paid to our shareholders and a dividend amounting to €38 thousand (PY: €54 thousand) was paid to a non-controlling shareholder of a Stabilus subsidiary.

The Management Board and the Supervisory Board have resolved to propose a dividend distribution of €1.00 per share (PY: €0.80 per share) to the Annual General Meeting to be held in Luxembourg on February 13, 2019. The total dividend will thus amount to €24.70 million (PY: €19.76 million) and the distribution ratio will be 23.4% of the consolidated profit attributable to the Stabilus shareholders. 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, 2018.

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_048

IN € THOUSANDS	Unrealized gains/ (losses) from foreign currency translation	Unrealized actuarial gains and losses	Total
Balance as of Sept 30, 2016	**(21,625)**	**(14,207)**	**(35,832)**
Before tax	3,328	4,591	7,919
Tax (expense) / benefit	–	(1,285)	(1,285)
Other comprehensive income / (expense), net of taxes	3,328	3,306	6,634
Non-controlling interest	–	–	–
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)**

[1] See also consolidated statement of comprehensive income above

22 Financial liabilities

The financial liabilities comprise following items:

Financial liabilities T_049

	Sept 30, 2018			Sept 30, 2017		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Senior facilities	–	313,846	313,846	10,000	311,951	321,951
Other facilities	1,100	5,075	6,175	–	–	–
Financial liabilities	**1,100**	**318,921**	**320,021**	**10,000**	**311,951**	**321,951**

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 by one additional year at the Company's request to June 28, 2023.

The term loan facility has to be repaid in June 29, 2022 with an amount of €51.3 million and in June 28, 2023 with an amount of €284.8 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 and €6.4 million on March 28, 2018 and reduced the outstanding nominal amount to €336.1 million as at September 30, 2018. The Group´s liability under the senior facility agreement (the remaining €336.1 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 euro 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 and the extension of the maturity by one year.

In the current financial year, Stabilus 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.

As at September 30, 2018, the Group had no liability under the committed €70.0 million revolving credit facility. The Group utilized €1.0 million out of the €70.0 million revolving credit facility to secure existing guarantees.

23 Other financial liabilities

Other financial liabilities

T_050

	Sept 30, 2018			Sept 30, 2017		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Liabilities to employees	7,557	–	7,557	6,796	–	6,796
Social security contribution	2,920	–	2,920	2,514	–	2,514
Finance lease obligation	390	520	910	303	1,830	2,133
Other financial liabilities	**10,867**	**520**	**11,387**	**9,613**	**1,830**	**11,443**

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

24 Provisions

Provisions

T_051

	Sept 30, 2018			Sept 30, 2017		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Anniversary benefits	17	129	146	29	105	134
Early retirement contracts	1,020	1,785	2,805	811	1,851	2,662
Employee-related costs	13,574	–	13,574	12,099	–	12,099
Environmental protection	–	1,099	1,099	48	1,421	1,469
Other risks	1,727	–	1,727	2,868	–	2,868
Legal and litigation costs	94	–	94	111	–	111
Warranties	14,030	–	14,030	12,984	–	12,984
Other miscellaneous	4,458	389	4,847	4,111	394	4,505
Provisions	**34,920**	**3,402**	**38,322**	**33,061**	**3,771**	**36,832**

The non-current provisions developed as follows:

Changes of non-current provisions

T_052

IN € THOUSANDS	Anniversary benefits	Early retirement	EPA provision	Other miscellaneous	Total
Balance as of Sept 30, 2016	**61**	**2,599**	**990**	**131**	**3,781**
Reclassifications	–	–	–	–	–
Foreign currency differences	(3)	(1)	(24)	29	1
Costs paid	–	–	–	–	–
Release to income	–	(747)	–	–	(747)
Additions	47	–	455	234	736
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**

The discount rate used for the calculation of non-current provisions as of September 30, 2018 was 0.0% (PY: 0.0%).

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

Changes of current provisions

T_053

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, 2016	**11,050**	**415**	**1,521**	**115**	**–**	**36**	**12,227**	**5,534**	**30,898**
Foreign currency differences	972	4	230	(4)	(2)	–	375	(388)	1,187
Reclassifications	99	–	–	–	–	–	–	(158)	(59)
Costs paid	(8,970)	(371)	(1,085)	–	–	(42)	(4,594)	(3,649)	(18,711)
Release to income	(837)	–	(229)	–	–	–	(332)	(169)	(1,567)
Additions	9,785	–	2,431	–	31	817	5,308	2,941	21,313
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**

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, 2018. For the corresponding ongoing long-term bioremediation a current provision of €0 thousand (PY: €48 thousand) and a non-current provision of €1,099 thousand (PY: €1,421 thousand) has been recorded as of September 30, 2018.

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.

25 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_054

IN € THOUSANDS	Sept 30, 2018	Sept 30, 2017
Principal pension plan	50,887	52,081
Deferred compensation	1,293	1,155
Pension plans and similar obligations	**52,180**	**53,236**

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 €50,887 thousand (PY: €52,081thousand) result from unfunded accumulated benefit obligations.

The weighted average duration of the defined benefit obligations in the fiscal year 2018 is 15.4 years (PY: 16.5 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, 2018, amounts to €1,293 thousand (PY: €1,155 thousand).

The unfunded status is as follows:

Unfunded status T_055

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Present value of defined benefit obligations	52,180	53,236
Less: Fair value of plan assets	–	–
Unfunded status	**52,180**	**53,236**

The present value of the defined benefit obligation developed as follows:

Present value of defined benefit obligations T_056

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Present value of defined benefit obligations as of beginning of fiscal year	**53,236**	**58,738**
Service cost	313	233
Interest cost	980	785
Effect of change in financial assumptions	(1,104)	(4,825)
Effect of change in demographic assumptions	533	–
Experience assumptions	(107)	234
Actuarial (gains) / losses	(678)	(4,591)
Pension benefits paid	(1,671)	(1,929)
Present value of defined benefit obligations as of fiscal year-end	**52,180**	**53,236**

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_057

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Service cost	313	233
Interest cost	980	785
Pension cost for defined benefit plans	**1,293**	**1,018**

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_058

IN € THOUSANDS	Defined benefit obligation	Experience adjustments	Change in demographic assumptions
Sept 30, 2014	48,353	914	–
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

Generally, the measurement date for Group's pension obligations is September 30. The measurement date for 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_059

	Year ended Sept 30,	
IN % P. A.	**2018**	2017
Discount rate	2.00%	1.87%
Pension increases	1.50%	1.50%
Turnover rate	4.00%	4.00%
Biometric assumptions	Heubeck Mortality Table 2018G	Heubeck Mortality Table 2005G

The discount rates for the pension plans are determined annually as of August 31,2018, 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 €3,870 thousand lower or €4,395 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 €1,276 thousand higher or €1,229 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, 2018 due to a 1 year decrease / increase of the life expectancy would result in an increase of €1,993 thousand or a decrease of €1,988 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 2019 will amount to €1,956 thousand (PY: €1,882 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 €14,183 thousand (PY: €14,084 thousand).

26 Trade accounts payable

Trade accounts payable amount to €83,171 thousand (PY: €79,073 thousand) as of the end of the fiscal year. The full amount is due within one year. The liabilities are measured at amortized cost. For information on liquidity and exchange rate risks for trade accounts payable, please see Note 32.

27 Current tax liabilities

The current tax liabilities relate to income and trade taxes.

28 Other liabilities

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

Other liabilities T_060

	Sept 30, 2018			Sept 30, 2017		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Advanced payments received	1,436	–	1,436	2,807	–	2,807
Vacation expenses	3,437	–	3,437	3,396	–	3,396
Other personnel-related expenses	6,771	–	6,771	6,517	–	6,517
Outstanding costs	2,668	–	2,668	2,472	–	2,472
Miscellaneous	313	–	313	240	–	240
Other liabilities	**14,625**	**–**	**14,625**	**15,432**	**–**	**15,432**

29 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 future minimum lease payments relating to leasing agreements during the basic rental period when they cannot be terminated are as follows:

Operating lease T_061

	Minimum lease payments in the year ended Sept 30,	
IN € THOUSANDS	**2018**	2017
Within one year	7,764	6,677
After one year but not more then five years	15,202	15,886
More than five years	117	165
Total	**23,083**	**22,728**

The increase in total minimum lease payments for one year is primarily due to the expansion of the rented production facilities in China and Mexico and the decrease after one year but not more than five years is due to favorable amendments of leasing contracts.

Current period expense for operating leases amounts to €9,050 thousand (PY: €8,358 thousand).

FINANCE LEASE

Finance lease T_062

IN € THOUSANDS	Sept 30, 2018 Minimum lease payments (MLP)	Sept 30, 2018 Present value of MLP	Sept 30, 2017 Minimum lease payments (MLP)	Sept 30, 2017 Present value of MLP
Within one year	438	427	613	555
After one year but not later than five years	1,831	1,625	2,990	2,854
More than five years	0	0	62	60
Total	**2,269**	**2,052**	**3,665**	**3,469**

As of September 30, 2018, there are two real estate lease contracts regarding a production facility in Romania recorded as finance lease.

Production facility:
In fiscal year 2018 the Orion Rent Imobiliare S.R.L, Brasov, made an early settlement of the finance lease arrangement for a Romania Powerise® production building that is now owned by Stabilus.

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 €910 thousand (PY: €1,287 thousand). The contract has duration of 75 months and can be extended.

The payments for finance leases in the fiscal year ended September 30, 2018, amounted to €1,253 thousand (PY: €547 thousand). No contingent rents have been recognized as an expense during the period.

30 Contingent liabilities and other financial commitments

CONTINGENT LIABILITIES

Contingent liabilities are uncertainties for which the outcome has not been determined. If the outcome is probable and estimable, the liability is shown in the statement of financial position.

In regards to a potential contingent obligation in the EPA Colmar, please see Note 24.

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 used for production facilities with an area of 8,400 square meters for STRO in Brasov, Romania. The initial rental agreement has a contract period of seven years which has been extended. STAB Dritte Holding GmbH, Koblenz, merged into Stable Beteiligungs GmbH, Koblenz, a wholly owned subsidiary of the Company, issued a bank guarantee for €600 thousand (PY: €600 thousand), in 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 has a contract period of ten years and will be 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 give 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, 2018 amounted to €36,141 thousand (PY: €30,575 thousand). This increase reflects a signed contract for acquisition of land and building that will be closed in early 2019.

Nominal values of other financial commitments are as follows:

Financial commitments

T_063

IN € THOUSANDS	Sept 30, 2018 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**

IN € THOUSANDS	Sept 30, 2017 Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed and other intangible assets	7,847	–	–	7,847
Obligations under rental and leasing agreements	6,677	15,886	165	22,728
Total	**14,524**	**15,886**	**165**	**30,575**

31 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_064

		Sept 30, 2018		Sept 30, 2017	
IN € THOUSANDS	Measurement category acc. to IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Trade accounts receivables	LaR	111,271	111,271	105,147	105,147
Cash	LaR	143,000	143,000	68,123	68,123
Other financial assets	LaR	3,407	3,407	5,155	5,155
Total financial assets		**257,678**	**257,678**	**178,425**	**178,425**
Financial liabilities	FLAC	320,021	312,858	321,951	321,435
Trade accounts payable	FLAC	83,171	83,171	79,073	79,073
Finance lease liabilities	–	910	2,052	2,133	3,469
Total financial liabilities		**404,102**	**398,081**	**403,157**	**403,977**
Aggregated according to categories in IAS 39:					
Loans and receivables (LaR)		257,678	257,678	178,425	178,425
Financial liabilities measured at amortized cost (FLAC)		403,192	396,029	401,024	400,508

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_065

	Sept 30, 2018				Sept 30, 2017			
IN € THOUSANDS	**Total**	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Financial liabilities								
Senior facilities	306,683	–	306,683	–	321,435	–	321,435	–
Other facilities	6,175	–	6,175	–	–	–	–	–
Finance lease liabilities	2,052	–	–	2,052	3,469	–	–	3,469

[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 the 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 payment. 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 from 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 fair value of embedded derivative instruments is calculated using a standard option pricing model. For the valuation, the credit spread used is calibrated such that the model reproduces the current market of the notes quoted on the Luxembourg Stock Exchange at the reporting date.

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 net gains and losses on financial instruments result in the fiscal year ended September 30, 2018, from the currency translation and changes in the estimate of future cash flows of loans and receivables and financial liabilities measured at amortized cost, as well as gains from changes in fair value of derivative instruments. They are set out in Notes 8 and 9. The net foreign exchange loss amounted to €2,624 thousand (PY: loss €16,471 thousand).

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

The value of the embedded derivatives was affected by the interest of the comparable market instrument on each potential exercise date and will rise if the relevant interest rate declines and vice versa.

32 Risk reporting

INTERNAL RISK MANAGEMENT

The Group employs within the budgeting process an integrated system for the early identification and monitoring of risks specific to the Group, in order to identify changes in the business environment and deviations from targets at an early stage and to initiate countermeasures in advance. This includes monthly short and medium-term analysis of the order intake and the sales invoicing behavior. Control impulses for the individual companies are derived from this. 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, co-ordinates 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 useful. 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, 2018.

CREDIT RISKS

Credit risk refers to the risk that 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. 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 impact the credit lines per customer.

The maximum exposure to credit risk of financial assets is the carrying amount as follows:

Credit risks included in financial assets

T_066

IN € THOUSANDS	Sept 30, 2018						
	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**

IN € THOUSANDS	Sept 30, 2017						
	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 360 days	> 360 days	Total
Financial assets							
Trade accounts receivable	98,509	4,821	965	190	620	42	105,147
Other financial assets	5,155	–	–	–	–	–	5,155
Total	**103,664**	**4,821**	**965**	**190**	**620**	**42**	**110,302**

Credit risk of other financial assets of the Group, which comprise cash and cash equivalents, and miscellaneous financial assets, arises from 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, credit quality of financial assets which are neither past due nor impaired is assessed to be good.

In fiscal year 2018, the Group had two customers which accounted for at least 10% of total external revenue and one customer which accounted for at least 8% of total external revenue. The revenue with these customers was €113,706 thousand (PY: €109,304 thousand), €96,882 thousand (PY: €88,062 thousand) and €75,568 thousand (PY: €80,272 thousand), respectively. In fiscal year 2018 and 2017, 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, 2018, will influence its liquidity situation. The summary describes the course of the undiscounted principal and interest outflows of the financing liabilities and the undiscounted cash outflows of the trade accounts payable. The undiscounted cash outflows are subject to the following conditions: If the counterparty can request payment at different dates, the liability is included on the basis of the earliest payment date. The underlying terms and conditions are described in Note 22.

Liquidity outflows for liabilities T_067

IN € THOUSANDS	Senior facility	Other facilities	Finance lease	Trade accounts payable	Total
2019	3,193	1,100	438	83,171	87,902
2020	3,193	1,100	441	–	4,734
2021	3,193	1,100	695	–	4,988
2022	54,364	1,100	695	–	56,159
2023	286,810	1,100	–	–	287,910
After 2023	–	1,466	–	–	1,466
Total	**350,753**	**6,966**	**2,269**	**83,171**	**443,159**

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, 2018, 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 in currencies other than the functional currency and loans 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.

A 1% increase / decrease in value of US dollar compared to Euro would lead to an increase / decrease of EBIT of approximately €0.5 million.

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 using the cash flow sensitivity of the Group's cash flows due to floating interest loans.

A 1% increase of floating interest rates (Euribor) would lead to an increase of financial expense of approximately €3.4 million. As the Euribor is below 0% as of September 30, 2018, a decrease has no effect on financial expenses.

33 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.

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, 2018, is calculated as follows:

Equity ratio

T _ 068

	Year ended Sept 30,	
IN € THOUSANDS	**2018**	2017
Equity	426,523	336,380
Total assets	1,010,442	929,995
Equity ratio	42.2%	36.2%

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 the future. The Company does not expect a breach of this covenant.

34 Notes to the consolidated statement of cash flows

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

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

Interest payments of €3,837 thousand (PY: €8,280 thousand) are reflected in cash outflows from financing activities. Income tax payments of €36,361 thousand (PY: €32,090 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 _ 069

IN € THOUSANDS	Senior facility agreement	Other facilities	Finance leases
Balance as of Sept 30, 2017	**321,951**	**–**	**2,133**
Cash receipts	–	6,427	–
Cash payments	(6,427)	(563)	(1,223)
Changes from financing cash flows	(6,427)	5,864	(1,223)
Effect of changes in foreign exchange rates	–	311	–
Other changes	(1,678)	–	–
Balance as of Sept 30, 2018	**313,846**	**6,175**	**910**

35 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, 2018, and 2017 is as follows:

Segment reporting

T_070

	Europe		NAFTA		Asia / Pacific and RoW	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	2018	2017	2018	2017	2018	2017
External revenue[1]	491,323	456,306	348,127	350,737	123,114	102,972
Intersegment revenue[1]	32,248	30,418	26,075	24,689	138	653
Total revenue[1]	523,571	486,724	374,202	375,426	123,252	103,625
Depreciation and amortization (incl. impairment losses)	(30,239)	(32,426)	(12,357)	(12,721)	(5,940)	(5,155)
EBIT	72,435	63,015	48,848	51,806	19,879	14,368
Adjusted EBIT	77,378	67,963	51,941	55,142	20,029	14,526

	Total segments		Other / Consolidation		Stabilus Group	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	2018	2017	2018	2017	2018	2017
External revenue[1]	962,564	910,016	–	–	962,564	910,016
Intersegment revenue[1]	58,461	55,760	(58,461)	(55,760)	–	–
Total revenue[1]	1,021,025	965,776	(58,461)	(55,760)	962,564	910,016
Depreciation and amortization (incl. impairment losses)	(48,536)	(50,302)	(9,280)	(10,800)	(57,816)	(61,103)
EBIT	141,162	129,189	(9,280)	(10,800)	131,882	118,389
Adjusted EBIT	149,348	137,631	–	–	149,348	137,631

[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 business combination are included in the regions.

The EBIT of operating segment Europe in the fiscal year ended September 30, 2018, includes impairment losses of €(1,671) thousand (PY: €(2,860) 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 _ 071

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Total segments' profit (adjusted EBIT)	**149,348**	**137,631**
Other/ consolidation	–	–
Group adjusted EBIT	**149,348**	**137,631**
Adjustments to EBIT	(17,466)	(19,242)
Profit from operating activities (EBIT)	**131,882**	**118,389**
Finance income	6,704	22,323
Finance costs	(12,084)	(29,799)
Profit / (loss) before income tax	**126,502**	**110,913**

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

Geographical information: Revenue by country

T _ 072

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Germany	356,540	331,964
Romania	130,146	119,829
UK	4,637	4,513
Europe	**491,323**	**456,306**
Mexico	190,180	185,154
USA	157,947	165,583
NAFTA	**348,127**	**350,737**
China	91,855	67,410
South Korea	11,075	12,855
Brazil	7,632	7,561
Australia	4,479	6,643
Japan	5,882	6,511
New Zealand	2,191	1,993
Asia / Pacific and RoW	**123,114**	**102,973**
Revenue	**962,564**	**910,016**

Geographical information: Non-current assets by country

T_073

	Year ended Sept 30,	
IN € THOUSANDS	2018	2017
Germany	249,109	233,998
Romania	28,192	26,496
Spain	854	910
Luxembourg	589	647
UK	5,905	6,325
Switzerland	0	75
France	10	13
Goodwill	111,876	111,921
Europe	**396,535**	**380,385**
USA	99,648	95,356
Mexico	29,563	28,170
Goodwill	70,767	69,649
NAFTA	**199,978**	**193,175**
China	39,687	35,328
South Korea	8,567	8,967
Brazil	1,575	1,875
Australia	966	975
Japan	1,304	1,277
New Zealand	410	444
Goodwill	12,588	12,613
Asia / Pacific and RoW	**65,097**	**61,479**
Total	**661,610**	**635,039**

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

36 Share-based payments

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

MATCHING STOCK PROGRAM

The variable compensation for the members of the Management Board includes a matching stock program. The matching stock program (the "MSP") provides for four annual tranches granted each year during the financial year ending September 30, 2014, until September 30, 2017. 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 to September 30, 2018.

Input parameters for fair value measurement of MSP

T_074

VALUATION DATE	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016	Sept 30, 2015
MSP B (2014)				
Fair value	€12.41	€12.41	€8.72	€8.78
Share price	€71.70	€76.79	€50.10	€32.25
Expected annual volatility	–	27.0%	37.0%	31.0%
Expected annual dividend yield	–	1.00%	1.00%	1.50%
Expected remaining duration (timing of exercise)	–	1.0 year	2.0 years	3.0 years
Risk-free annual interest rate	–	(0.76)%	(0.72)%	(0.20)%
Exercise price	€24.82	€24.82	€24.82	€24.82
MSP A/B (2015)				
Fair value	€15.22	€14.14	€7.83	–
Share price	€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	–
MSP A/B (2016)				
Fair value	€14.99	€14.12	–	–
Share price	€71.70	€76.79	–	–
Expected annual volatility	27.0%	34.0%	–	–
Expected annual dividend yield	1.00%	1.00%	–	–
Expected remaining duration (timing of exercise)	2.0 years	3.0 years	–	–
Risk-free annual interest rate	(0.54)%	(0.63)%	–	–
Exercise price	€48.64	€48.64	–	–
MSP A (2017)				
Fair value	€10.03	–	–	–
Share price	€71.10	–	–	–
Expected annual volatility	30.0%	–	–	–
Expected annual dividend yield	1.00%	–	–	–
Expected remaining duration (timing of exercise)	3.0 years	–	–	–
Risk-free annual interest rate	(0.40)%	–	–	–
Exercise price	€74.74	–	–	–

In the fiscal year 2018 options for the MSP A and B were issued.

Number of share options

T_075

	MSP B (2014)		MSP A/B (2015)		MSP A/B (2016)		MSP A (2017)	
	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	–	–	35,911	€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	34,995	€31.08	–	–	–	–
Exercisable as at September 30, 2016	–	–	–	–	–	–	–	–
Outstanding as at October 1, 2016	19,588	€24.82	34,995	€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	34,995	€31.08	27,449	€48.64	–	–
Exercisable as at September 30, 2017	–	–	–	–	–	–	–	–
Outstanding as at October 1, 2017	19,588	€24.82	34,995	€31.08	27,449	€48.64	–	–
Granted during the year	–	–	–	–	–	–	24,190	€74.74
Forfeited during the year	–	–	4,884	–	7,320	–	17,692	–
Exercised during the year	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2018	19,588	€24.82	30,111	€31.08	20,129	€48.64	6,498	€74.74
Exercisable as at September 30, 2018	19,588	€24.82	–	–	–	–	–	–

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

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

Phantom Stock Program options

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	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	–	–	–

EXPENSE RECOGNIZED IN PROFIT OR LOSS

An amount of €373 thousand (PY: €673 thousand) was recognized in the related employee benefit expenses and an amount of €1,376 thousand (PY: €1,003 thousand) in provisions for employee-related expenses.

37 Auditor's fees

Auditor's fees T_078

IN € THOUSANDS (EXCLUDING VAT)	Year ended Sept 30, 2018	2017
Audit fees	790	797
Thereof for the prior year	*52*	*47*
Audit-related fees	6	–
Tax fees	331	152
Other fees	–	–
Total	**1,127**	**949**

For fiscal year ended September 30, 2018, a global fee (excluding VAT) of €790 thousand (PY: €797 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.

In addition, KPMG Luxembourg Société cooperative, Luxembourg, and other member firms of the KPMG network, billed audit-related fees amounting to €6 thousand (PY: €0 thousand) and tax service fees amounting to €331 thousand (PY: €152 thousand) to the Stabilus Group. Tax services comprise the preparation of tax filings and the provision of tax advice.

38 Related party relationships

In accordance with IAS 24, persons or entities that control or are controlled by the Stabilus Group shall be disclosed, unless they are included in consolidation as a consolidated entity.

The disclosure obligation under IAS 24 furthermore extends to transactions with persons who exercise a significant influence on the financial and business policies of the Stabilus Group, including close family members or interposed entrepreneurs. A significant influence on the financial and business policies of the Stabilus Group can hereby be based on a shareholding of 20% or more in Stabilus, a seat on the Management Board of Stabilus or another key position.

39 Remuneration of key management personnel

The key management personnel are the members of the Management Board Dr. Stephan Kessel (Interim CEO - since August 1, 2018), Mark Wilhelms (CFO), Markus Schädlich (Head of Asia / Pacific and Rest of World (RoW) region) – since July 1, 2018), Andreas Schröder (Group Financial Reporting Director), Andreas Sievers (Director Group Accounting and Strategic Finance Projects) and Dietmar Siemssen (CEO – until July 31, 2018).

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 €3,676 thousand (PY: €2,710 thousand), thereof €3,294 thousand (PY: €2,434 thousand) is classified as short-term employee benefits, and €382 thousand (PY: €276 thousand) classified as share-based payments.

The compensation of the Management Board members for fiscal year 2018 was split in a fixed compensation of €1,590 thousand (PY: €1,383 thousand) and a variable compensation of €1,704 thousand (PY: €1,051 thousand).

The total remuneration to the members of the Supervisory Board amounts to €457 thousand (PY: €359 thousand).

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

40 Subsequent events

As of December 12, 2018, there were no further events or developments that could have materially affected the measurement and presentation of Group’s assets and liabilities as of September 30, 2018.

Luxembourg, December 12, 2018

Stabilus S. A.
Management Board

RESPONSIBILITY STATEMENT

We, Dr. Stephan Kessel (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 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, 2018

Dr. Stephan Kessel Management Board	Mark Wilhelms	Andreas Schröder	Andreas Sievers	Markus Schädlich

MANAGEMENT BOARD OF STABILUS S. A.

The Management Board comprises four members:

Dr. Stephan Kessel (Chairman) took on the role of Interim CEO effective August 1, 2018 while his mandate as member of the Supervisory Board is temporarily suspended for the length of this interim period. Since 2008, he has performed a variety of roles on the Advisory Board of Stabilus from 2008 to 2011 acted as the CEO of Stabilus. In 2014, following the floatation of the Company, he joined the newly formed Supervisory Board of Stabilus. At the shareholder meeting on February 14, 2018, he was appointed Chairman of the Supervisory Board. It is planned that Dr. Kessel returns to this position on the Supervisory Board once the new CEO has been appointed. Stephan Kessel was for many years a member of the management at Continental AG and the Chief Executive Officer 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. Currently he serves as Chairman on the Boards of Novem Car Interior GmbH and Dayco Products L.L.C.

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. Mr. Schädlich was appointed to the Management Board in 2018. Until September 30, 2018 he also served Jost Werke AG in Japan fulfilling previous commitments. He is Representative Director of Jungbunzlauer Japan Co. Ltd. until the end of the year and of Lamilux Japan Co. Ltd.

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:

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 during which Dr. Stephan Kessel will serve as Interim CEO. Mr. Stark was Chairman of the Executive Board of MTU Aero Engines AG until 2007. From 1991 until 2000, Mr. Stark led the listed plant construction and machinery group Agiv AG. Subsequently, he became Chairman of the Shareholder Committee at Messer Griesheim GmbH, Chairman of the Executive Board of mg technologies AG and CEO of MTU Aero Engines AG. From 2008 to 2013, Mr. Stark served as a member of the Supervisory Board of MTU Aero Engines AG. Until May 2016, he was a member of the Supervisory Board of Bilfinger SE and until September 2015 he was the Chairman of the Audit Committee of Bilfinger SE. Until December 2015, he was a member of the Advisory Board of Barmenia Versicherungen and since September 2014, he is Chairman of the Advisory Board of Arvos Group.

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 2008 he was member of the Board of Directors of Nagahama Seisakusho Ltd., Japan.

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

INDEPENDENT AUDITOR'S REPORT

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

Report of the réviseur d'entreprises agréé

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Stabilus S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2018, 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 2018, 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 2018, the Group's goodwill represents EUR 195,2 million or 19.3% 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 14 February 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five 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, 2018

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
T. Feld

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ANNUAL ACCOUNTS

BALANCE SHEET

as of September 30, 2018

Balance sheet

T_079

IN € THOUSANDS	NOTE	Sept 30, 2018	Sept 30, 2017
Assets			
Fixed assets	3	**574,444**	**628,451**
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		–	1
Tangible assets			
Other fixtures and fittings, tools and equipment		–	6
Financial assets			
Shares in affiliated undertakings	4	574,444	628,444
Current assets		**30,381**	**965**
Debtors	5	2,091	643
Amounts owed by affiliated undertakings			
becoming due and payable within one year		484	186
Other debtors			
becoming due and payable within one year		1,607	458
Cash at bank and in hand		28,290	322
Prepayments	6	**309**	**348**
Total assets		**605,134**	**629,764**

Balance sheet

T_079

IN € THOUSANDS	NOTE	Sept 30, 2018	Sept 30, 2017
Liabilities			
Capital and reserves	7	**601,842**	**619,935**
Subscribed capital		247	247
Share premium account		419,801	419,801
Reserves			
Legal reserve		1,514	21
Other reserves, including the fair value reserve		4,835	4,836
Profit or loss brought forward		173,778	165,171
Profit or loss for the financial year		1,667	29,860
Provisions		**10**	**810**
Provisions for taxation		10	810
Creditors		**3,282**	**9,018**
Trade creditors			
becoming due and payable within one year		908	695
Amounts owed to affiliated undertakings			
becoming due and payable within one year	8	1,224	7,499
Other creditors			
Social security authorities		11	11
Other creditors			
becoming due and payable within one year		1,139	813
Total liabilities		**605,134**	**629,764**

PROFIT AND LOSS ACCOUNT

for the fiscal year ended September 30, 2018

Profit and loss account

T_080

IN € THOUSANDS	NOTE	Year ended Sept 30, 2018	2017
Other operating income	9	**4,227**	**3,496**
Raw materials and consumables and other external expenses	10	**(3,179)**	**(2,145)**
Other external expenses		(3,179)	(2,145)
Staff costs	11	**(1,190)**	**(722)**
Wages and salaries		(1,128)	(644)
Social security on salaries and wages		(62)	(78)
Value adjustments	3	**(7)**	**(22)**
in respect of formation expenses and tangible and intangible fixed assets		(7)	(22)
Other operating expenses		**(573)**	**(477)**
Income from participating interests	12	**2,532**	**47,211**
derived from affiliated undertakings		2,532	47,211
Other interest receivable and similar income		**0**	**–**
derived from affiliated undertakings		0	–
Value adjustments and fair value adjustments on financial current assets	13	**–**	**(17,236)**
Interest payable and similar expenses		**(6)**	**(66)**
concerning affiliated undertakings		–	–
Other interest and similar financial expenses		(6)	(66)
Tax on profit or loss		**(137)**	**(179)**
Profit or loss after taxation		**1,667**	**29,860**

NOTES TO THE ANNUAL ACCOUNTS

for the year ended September 30, 2018

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 B0151589. 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 are translated at the historical exchange rates.

Cash at bank denominated in currencies other than € 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_081

IN € THOUSANDS	Intangible assets	Tangible assets	Shares in affiliated undertakings	Total
Gross value				
Balance as of Sept 30, 2017	**22**	**44**	**628,444**	**628,510**
Additions	–	–	–	–
Decrease	–	–	(54,000)	(54,000)
Balance as of Sept 30, 2018	**22**	**44**	**574,444**	**574,510**
Accumulated value adjustments				
Balance as of Sept 30, 2017	**(21)**	**(38)**	**–**	**(59)**
Additions	(1)	(6)	–	(7)
Disposals	–	–	–	–
Balance as of Sept 30, 2018	**(22)**	**(44)**	**–**	**(66)**
Carrying amount				
Balance as of Sept 30, 2017	**1**	**6**	**628,444**	**628,451**
Balance as of Sept 30, 2018	**–**	**–**	**574,444**	**574,444**

4 Financial assets

Shares in affiliated undertakings

T_082

IN € THOUSANDS	Proportion of capital held	Year-end date	Shares in affiliated undertakings as at Sept 30, 2018	Equity as at year-end (including result)	Profit or loss for the year ended
Blitz F10 neun GmbH, Wallersheimer Weg 100, 56070 Koblenz, Germany	100%	31.12.2017	28	2,550	(4)
Stable II S.à r. l., 2, rue Albert Borschette, 1246 Luxembourg, Luxembourg	100%	30.09.2017	574,416	510,710	(3,088)
Total			**574,444**		

The Company decreased its investment in Stable II S. à r. l. by distributing €28,000 thousand in May 2018 and €26,000 thousand in September 2018 out of the share premium account of Stable II S. à r. l.

The dormant subsidiary Servus III (Gibraltar) Limited was liquidated on December 19, 2017.

5 Debtors

5.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

The amount of €484 thousand (PY: €186 thousand) is a receivable from affiliated undertakings for providing management services.

5.2 OTHER DEBTORS

The amount mainly consists of a tax receivable amounting to €924 thousand (PY: €449 thousand) and tax prepayments amounting to €668 thousand.

6 Prepayments

Prepayments mainly relate to insurance contracts.

7 Capital and reserves

Issued capital as of September 30, 2018, 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 €315 thousand represented by a maximum of 31.5 million shares, each with nominal value of €0.01.

The Annual General Meeting on February 14, 2018, resolved to allocate 5% of the profit of €29,860 thousand (i.e. an amount of €1,493 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 €0.80 per share resulting in an aggregate dividend distribution amounting to €19,760 thousand out of the remaining profit and to carry forward the resulting balance of profits in an aggregate amount of €8,607 thousand together with the profit carried forward from the previous financial year in an amount of €173,778 thousand to the next financial year.

8 Amounts owed to affiliated undertakings

The amount of €1,224 thousand (PY: €7,499 thousand) consists of cash pool liabilities 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 €4,156 thousand (PY: €3,488 thousand).

10 Other external expenses

Other external expenses T_083

IN € THOUSANDS	Year ended Sept 30, 2018	2017
Administration fees	273	296
Consulting fees	2,048	1,038
Audit fees	291	361
Group insurance	180	172
Legal and professional fees	351	233
Bank charges	36	45
Total	**3,179**	**2,145**

11 Staff costs

The Company employs 8 employees as of September 30, 2018, (PY: 6). The average number of employees in the financial year 2018 was 8 (PY: 6).

12 Income from participating interests

In September 2018, Blitz F10-neun GmbH distributed a dividend to its sole shareholder Stabilus S. A. with an amount of €2,532 thousand.

13 Value adjustments in respect of financial assets and of investments held as current assets

There were no value adjustments in respect of financial assets and of investments held as current assets in fiscal year 2018.

The value adjustments in fiscal year 2017 substantially comprise the result of the simplified dissolution without liquidation of the former subsidiaries Servus Sub S. à r. l. and Servus Luxembourg S. à r. l. in May 2017. The net assets of these two entities were transferred to Stabilus S. A., and the investments were derecognized. The difference between the net assets received and the investment is recognized as a value adjustment in respect of financial assets with an amount of €17,147 thousand.

14 Taxation

The Company is subject to Luxembourg company tax law.

15 Related parties

The remuneration of the members of the Management Board amounts to €563 thousand (PY: €353 thousand). The remuneration of the members of the Supervisory Board amounts to €457 thousand (PY: €359 thousand).

As of September 30, 2018, members of the Management and Supervisory Board held about 0.3% of the total shares in Stabilus S. A.

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

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

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

The fictitious options are subject to a lock-up period of four years and may be exercised during a subsequent two-year exercise period. The options may only be exercised if the stock price of the Company exceeds a set threshold for the relevant tranche, which the Supervisory Board will determine at the time of granting the options, and which needs to be between 10% and 50% growth over the base price, which is the share price on the grant date. If exercised, the fictitious options are transformed into a gross amount equaling the difference between the option price and the relevant stock price multiplied by the number of exercised options. The Company plans a cash settlement.

The maximum gross amounts resulting from the exercise of the fictitious options of one tranche in general is limited in amount 50% of the base price. Reinvestment of IPO proceeds from previous equity programs are not taken into account for MSP A. In fiscal year 2018, the number of MSP A and MSP B share options developed as follows:

Number of share options T_084

	MSP B (2014)		MSP A/B (2015)		MSP A/B (2016)		MSP A (2017)	
	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, 2017	19,588	€24.82	34,995	€31.08	27,449	€48.64	–	–
Granted during the year	–	–	–	–	–	–	24,190	€74.74
Forfeited during the year	–	–	4,884	–	7,320	–	17,692	–
Exercised during the year	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2018	19,588	€24.82	30,111	€31.08	20,129	€48.64	6,498	€74.74
Exercisable as at September 30, 2018	19,588	€24.82	–	–	–	–	–	–

17 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.

The Company has a rental contract for its office building. The rental payments for the financial year 2019 will be €176 thousand.

The Company issued a bank guarantee amounting to €100 thousand for the above mentioned office lease.

18 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, 2018.

Luxembourg, December 12, 2018
Stabilus S.A.
Management Board

RESPONSIBILITY STATEMENT

We, Dr. Stephan Kessel (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, 2018

Dr. Stephan Kessel   Mark Wilhelms   Andreas Schröder   Andreas Sievers   Markus Schädlich

Management Board

INDEPENDENT AUDITOR'S REPORT

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

Report of the réviseur d'entreprises agréé

REPORT ON THE AUDIT OF THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Stabilus S.A. (the "Company"), which comprise the balance sheet as at 30 September 2018, 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 2018, 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 the annual report including the management report 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 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 14 February 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five 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, 2018

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
T. Feld

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ADDITIONAL INFORMATION

FINANCIAL CALENDAR

Financial calendar

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DATE[1)2)]	PUBLICATION / EVENT
December 14, 2018	Publication of full year results for fiscal year 2018 (Annual Report 2018)
February 4, 2019	Publication of the first-quarter results for fiscal 2019 (Quarterly Statement Q1 FY19)
February 13, 2019	Annual General Meeting
May 6, 2019	Publication of the second-quarter results for fiscal 2019 (Interim Report Q2 FY19)
August 5, 2019	Publication of the third-quarter results for fiscal 2019 (Quarterly Statement Q3 FY19)
November 15, 2019	Publication of preliminary financial results for FY2019
December 13, 2019	Publication of full year results for fiscal 2019 (Annual Report 2019)

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 2019 comprises a year ended September 30, 2019.

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

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