STABILUS

ENABLING MOTION ENHANCING PROGRESS

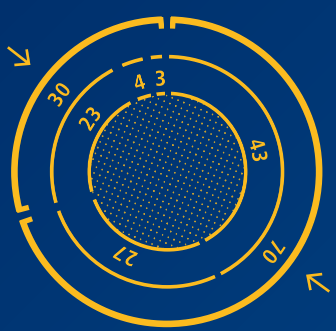
ANNUAL REPORT / 2016

KEY FIGURES

IN EUR MILLIONS	Year ended Sept 30, 2016	2015	CHANGE	% CHANGE
Revenue	**737.5**	611.3	126.2	20.6%
EBIT	**76.6**	55.7	20.9	37.5%
Adjusted EBIT	**98.8**	76.2	22.6	29.7%
Profit for the period	**48.0**	17.0	31.0	>100,0%
Capital expenditure	**(53.7)**	(51.5)	(2.2)	4.3%
Free cash flow (FCF)	**(238.4)**	34.8	(273.2)	<(100,0)%
Adjusted FCF	**57.3**	34.8	22.5	64.7%
EBIT as % of revenue	**10.4%**	9.1%		
Adjusted EBIT as % of revenue	**13.4%**	12.5%		
Profit in % of revenue	**6.5%**	2.8%		
Capital expenditure as % of revenue	**7.3%**	8.4%		
FCF in % of revenue	**(32.3)%**	5.7%		
Adjusted FCF in % of revenue	**7.8%**	5.7%		

FCF = cash flow from operating activities + cash flow from investing activities
Adjusted FCF = FCF before acquisitions

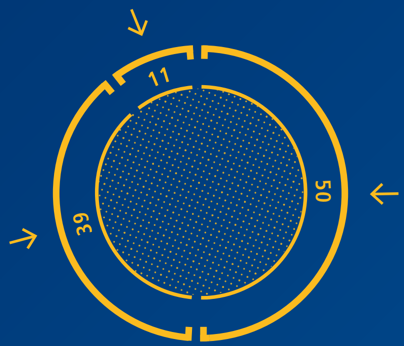
REVENUE BY MARKETS



70% Automotive Buisiness
43% Automotive Gas Spring
27% Automotive Powerrise

30% Industrial Buisiness
23% Industrial / Capital Goods
3% Vibration & Velocity Control
4% Swivel Chair

REVENUE BY REGION
(LOCATION OF STABILUS COMPANY)



50% Europe
39% NAFTA
11% Asia / Pacific and RoW

↓ **ENABLING MOTION** ACROSS ALL INDUSTRIES

As one of the world's leading providers of gas springs, damping solutions and electromechanical drives, we have been showing our expertise for eight decades: In the automotive industry, mechanical engineering, renewable energies, the furniture sector, house and building technology and a variety of other sectors such as medical products and rehabilitation equipment.

Our gas springs, dampers and electromechanical POWERISE drives optimize opening, closing, lifting, lowering and adjusting actions and provide protection against vibration.

OUR UNITS

Germany Aichwald
Germany Büttelborn
Germany Koblenz
Germany Langenfeld
Luxembourg Luxembourg
Italy Torino
France Poissy
UK Banbury
UK Haydock
Spain Derio
NAFTA
USA Stoughton / MA
USA Sterling Heights / MI
USA Farmington Hills / MI
USA Schaumburg / IL
USA Miamisburg / OH
USA Gastonia / NC
Mexico Ramos Arizpe
Brazil Itajubá

17

Production sites

- ■ **Production** *Powerise*
- ● **Production** *Gas springs*
- ○ **Production** *Vibration & Velocity Control*
- × **Sales office / Representation**
- ▲ **Stabilus S.A.**

CON-
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CHAPTER A

TO OUR SHARE-HOLDERS

LETTER FROM THE **CHIEF EXECUTIVE OFFICER**

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

We set ourselves ambitious targets for the 2016 fiscal year and met all of them. This means we can look back on a year that was dynamic, eventful and successful in equal measure. In the past fiscal year, our sales rose by more than 20% to €737.5 million – making it a further record year for our company. We successfully and profitably continued our organic growth across all segments and sales markets. Our claim is to be the world's leading company for systems and solutions to initiate, control and damp motion. The acquisition of ACE, Hahn Gasfedern, Fabreeka and Tech Products in summer 2016 represented an important step in this long-term growth strategy and allowed us to achieve several strategic objectives at once, expanding our expertise in motion control and vibration damping while also strengthening our industrial business. The transaction forms part of our systematic development into a comprehensive supplier for motion control and serves to expand our portfolio of future-oriented product solutions that ideally complement our product range. It also allowed us to welcome the highly committed employees of these companies to Stabilus.

Thanks to rapid reaction times for industrial solutions for small batch sizes, we are now gaining access to new customer groups and industries. Strategically, the acquisition has also made us less dependent on the cycles of individual industries. Following the completion of the acquisition, the ratio of automotive to industrial sales has returned to our long-term target level.

The companies acquired have made a contribution to consolidated sales from the fourth quarter of the 2016 fiscal year onwards and have been allocated to Stabilus' industrial business. This therefore comprises three business segments: "Industrial / Capital Goods", which now includes Hahn Gasfedern; "Swivel Chair"; and "Vibration & Velocity Control", which includes ACE, Fabreeka and Tech Products.

We assessed the market in depth to identify the companies that could accelerate our development while also ideally complementing our Group. This process is now paying off. The integration of the acquired companies is proceeding extremely well, and we will be able to quickly realize the expected added value from joint market cultivation. The corporate cultures are a good fit and the new employees share our passion and enthusiasm for our growth strategy. Following these acquisitions, we renewed our financing and go into the 2017 business year with a significantly higher equity ratio and long-term financing agreed at attractive interest terms. Stabilus therefore has stable financial foundations on which to realize our operational development potential.

We invested significantly in the expansion and optimum use of our existing structures in the past fiscal year in order to ensure the further growth of the Stabilus Group. Stabilus is continuing to benefit from the three megatrends of demographic development, growing demand for comfort and higher standards in occupational health and safety. By expanding our production capacity in Germany, China, Mexico, Romania and the USA, we are creating the basis for further growth in the Europe, NAFTA and Asia regions. Regional production allows us to address the respective markets more quickly and work with our customers extremely successfully on a local basis. In China, we have expanded production to include products for our industrial business. We also started to manufacture POWERISE drives for our local customers in June 2016.

In the NAFTA region, a new damper production line in Mexico began operations in early 2016 in response to rising demand in the solar segment in particular, while the plant in Gastonia, USA, has been augmented with a high-performance, fully automated gas-spring facility.

We also made significant investments at our main plant in Koblenz in the 2016 fiscal year. In addition to a new fully automated production line for gas springs and dampers, new grinding lines, a new wastewater treatment facility and a combined heat and power plant are contributing to the further modernization of the site, which plays a central role in our strategy for the European market.

Our innovations were also successfully marketed in the past fiscal year. For instance, our POWERISE drives are now being used in industrial business for the first time with their application in centrifuges for blood banks. Along with the wing doors of the Tesla Model X, this is already the second non-tailgate application for POWERISE. We regard this product group as a further source of strong potential. Production figures also show that our optimism is not misplaced: The ten millionth POWERISE drive was produced in the past fiscal year. We regard innovations as a key factor in attaining our long-term targets, which is why we have realigned our innovation process. As one of the world's leading companies in the motion-control sector, we are not only meeting customers' wishes but also continuously generating impetus in the markets through innovations.

In the past fiscal year, automotive sales enjoyed strong growth of 18.7% to €515.3 million. Industrial sales also rose sharply by 25.5% to €222.2 million. The trend towards SUVs and sales of POWERISE drives were major growth drivers in the automotive segment, with the latter increasing by 39.7% from €139.8 million to €195.3 million. In the area of industrial business, strong organic growth was accompanied by the consolidation of the newly acquired companies starting from the fourth quarter, which made a positive sales contribution of €27.3 million compared with the previous year. Our regional performance shows that our products are in demand around the world, with double-digit growth in Europe, NAFTA, Asia / Pacific and RoW (Rest of World).

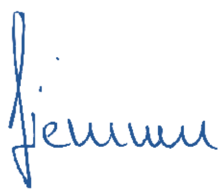
We are proud to have also achieved earnings growth in spite of the necessary substantial investments in our company. At €98.8 million, adjusted EBIT was around 29.7% higher than in the previous year, while net income also increased significantly from €17.0 million in the 2015 fiscal year to €48.0 million in the 2016 fiscal year. We want our shareholders to participate in this development and will propose a dividend of €0.50 per share to the forthcoming Annual General Meeting.

We are seeing an unabated trend towards the increased use of gas springs, electromechanical drives and vibration damping solutions across a wide range of industries. The newly acquired companies will contribute to the Group's continued growth. As a result, we are forecasting sales of €865 million for the 2017 fiscal year, corresponding to a growth rate of 17.3%. In terms of earnings, we are anticipating an adjusted EBIT margin of 13% to 14%.

I would like to take this opportunity to thank our shareholders for the confidence they have shown in Stabilus, which was also clearly demonstrated in the context of our successful capital increase in July 2016. On behalf of the entire management team, I would also like to thank our long-serving employees and the new colleagues who have joined us as a result of the acquisitions. Their valuable contribution forms the backbone for our success as a company. Many thanks are also due to our customers for their loyalty and commitment to quality and to our business partners for the strong partnership we enjoy, which dates back many years in some cases.

We have big plans for the 2017 fiscal year as well and will be delighted if you would continue to accompany us on our growth path.

Yours sincerely,



DIETMAR SIEMSSEN
CEO

REPORT OF THE **SUPERVISORY BOARD**

Dear Shareholders,

During the reporting period from October 1, 2015 to September 30, 2016, the Supervisory Board of Stabilus S.A. performed its tasks and monitored the management activities of the Board of Management in accordance with legal requirements and the Articles of Association of Stabilus S.A. The Board of Management and the Supervisory Board maintained close and regular contacts. The Supervisory Board advised the Board of Management in regard to strategic and operational decisions as well as governance topics and decided on matters requiring supervisory approval.

Cooperation with the Board of Management

The Board of Management reported regularly, promptly and extensively in verbal and written form to the Supervisory Board regarding the position and performance of the Company and the Stabilus Group, including its commercial position as well as its key financial data. Furthermore, the Board of Management informed the Supervisory Board on a regular basis concerning the future business policy, including the strategic and organizational direction of the Group. Between Supervisory Board meetings, of which there were nine in total during the last fiscal year and so far two in the current fiscal year, Stabilus' management kept the Chairman of the Supervisory Board informed about new developments.

The Supervisory Board was involved in the main projects of Stabilus. In particular, the Board of Management informed the Supervisory Board in all Supervisory Board Meetings in detail about the acquisition of ACE, Hahn, Fabreeka and Tech Products. Also, the Board of Management provided information in regard to the capital increase and other financing aspects in connection with this acquisition. As far as approvals by the Supervisory Board were required for these topics, the Management Board applied for such approvals timely and provided all information necessary for a proper assessment by the Supervisory Board.

The Board of Management regularly provided reports about Stabilus' business performance in the various geographic markets (operating segments) and about Stabilus products. Major investments of the Group companies, in particular investments for capacity extensions in key markets, were presented to and approved by the Supervisory Board. The Board of Management reported also about cost and quality matters as well as other operational topics related to Stabilus' products.

Audit Committee and Remuneration Committee

Material questions concerning auditing, accounting, risk management and compliance and respective controls and systems have been discussed in Audit Committee meetings. The Audit Committee discussed in particular the quarterly reports. During the reporting period, the Audit Committee held five meetings and two meetings since the beginning of the current fiscal year.

Remuneration matters and the adequacy of the Management Board compensation have been discussed by the Remuneration Committee. During the reporting period, the Remuneration Committee held five meetings and one meeting since the beginning of the current fiscal year.

Drawing up of the Financial Statements

The Supervisory Board examined the Company's stand-alone annual accounts, the consolidated financial statements and the management report for the financial year ending on September 30, 2016. Representatives of the auditor KPMG Luxembourg Société Coopérative attended the meetings of the Audit Committee on November 23, 2016 and on December 13, 2016 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 Board of Management for the financial year ending on September 30, 2016 and to the auditors' presentation. According to the recommendation of the Audit Committee, the Supervisory Board agreed to the proposal of the Board of Management to approve both, the Company's annual accounts and the consolidated financial statements for fiscal year 2016. The auditor issued unqualified audit opinions on December 13, 2016.

On behalf of the Supervisory Board, I want to thank the Board of Management for the open and effective collaboration during the year, the Stabilus employees for their excellent contributions to the Company's success as well as our shareholders for the trust they place in Stabilus.

Luxembourg, December 13, 2016

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

UDO STARK
Chairman of the Supervisory Board

INTERNATIONAL **MANAGEMENT TEAM**

01
PINK, JOHANNES
Vice President
Global Operations

02
TIAN, XUEFENG (ALEX)
Country Head
China

03
ROLAND, JÜRGEN
Vice President Business Unit
Vibration & Velocity Control

04
SANDER, KARSTEN
Vice President
Business Unit Automotive

05
KADENBACH, EKKEHARD
Vice President
Global Purchasing

06
SIEMSSEN, DIETMAR
Chief Executive Officer

07
SABET, DAVID
Vice President
Business Unit Powerise

08
WIDMER, MARTINA
Vice President
Global HR

09
HINCK, MICHAEL
Country Head
Japan

10
HÄRING, FRED
Vice President
Business Unit Swivel Chair

11
BALMERT, JOACHIM
Vice President
Quality Management

12
LEE, JOONG-HO (JAMES)
Country Head
Korea

13
HUBER, RALPH
Vice President
Business Unit Industrial

14
WILHELMS, MARK
Chief Financial Officer

15
HABA, ANTHONY
Regional Head
NAFTA

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ENABLING MOTION **ENHANCING PROGRESS**

Invisible support

There was no indication that products such as gas springs, hydraulic dampers and indeed POWERISE would go on to become so prominent in all areas of everyday life when Stabilus was founded in 1934. Back then, the first product was the STABILISATOR, which was aimed at helping to improve the road handling of US automobiles and also gave the company its name.

After the Second World War, production was extended to dampers, and in 1962, Stabilus started series production of LIFT-O-MAT gas springs. Shortly afterwards, the first locking gas springs, named BLOC-O-LIFT, were launched. The success of these two product ranges, used in automotive engineering and the furniture industry, enabled a comprehensive expansion of production.

In the 1950s, export business marked the start of the company's internationalization, which gained momentum in the 1970s with the first subsidiary in the Americas. This approach is still rigorously applied today with production locations in nine countries around the world and sales partners in over 50 countries.

System supplier for the automotive industry

In 2002, the start of production of the forerunner to today's electromechanical POWERISE system for opening and closing lids and more marked a major milestone in the company's history: In subsequent years, with the POWERISE product range, Stabilus progressively evolved from a manufacturer of individual components to a system provider for the international automotive supply industry. As well as designing the optimum gas springs for tailgates, trunk lids and other moving vehicle parts, Stabilus is now also responsible for the desired kinematics as a system supplier, actively helping its customers to develop custom solutions to their specific requirements.

To date, more than ten million Stabilus POWERISE drives have been brought into the market. POWERISE has shown a very successful development since its commercial launch. Today, electromechanical lid drives are used not only in top-of-the-range vehicles but also increasingly in mid-range and compact vehicles. The upcoming vehicle manufacturer Tesla is also setting innovative trends with eye-catching wing doors in the Model X – powered by POWERISE.

Great prospects

The success of POWERISE products and Stabilus gas springs and dampers is being driven by three global megatrends: A growing and aging global population, a growing convenience-loving middle class in developed countries and emerging nations and global progress in compliance with occupational health and safety standards. The impact of these megatrends will continue to provide a further powerful boost to demand for Stabilus products in the future. Many of our solutions help people to lift, lower, open or close things easily, while others protect against potentially damaging impacts or vibrations. Key industries such as regenerative energies, the automotive industry, automation engineering, agricultural and construction machinery, aviation, shipping and medical and rehabilitation equipment therefore rely on the expertise of Stabilus right from the development of optimized motion sequences.

Stabilus used the past fiscal year to achieve an important step in its strategy and develop into an end-to-end provider for motion control: The acquisition of ACE, Hahn Gasfedern and Fabreeka, Tech Products considerably increased the product range for industrial business and allowed Stabilus to tap into further customer groups and applications. The strategic aim of the acquisition was to add attractive new product offerings and enable a swift, flexible response to demands of different batch sizes. With this transaction, Stabilus has further reduced its dependence on individual sectors and economic cycles. Stabilus will therefore be an even more prominent player as a leading manufacturer of "invisible aids" for day-to-day life now and in the future.

DETAILS
DECIDE...

Eight POWERISE drives make the innovative concept for accessing the rear seats possible.

...ON THE SUCCESS OF **REVOLUTIONARY INNOVATIONS**

POWERISE opens the Falcon Wing doors of the Tesla Model X and much more

Electric mobility will be a key factor in the development of car mobility in the years ahead. While around 500,000 electric vehicles were sold worldwide in 2015, industry experts expect sales to rise to 10 million units by 2020 and envisage further strong growth in the years beyond.

The expansion of electric mobility also involves ongoing digitalization of key vehicle functions, which constitutes another future trend. For instance, the proportion of vehicles that provide wide-ranging assistance systems up to semi-autonomous driving has been rising sharply for years. Subject to the corresponding legal framework, [illegible] also close to [illegible] development of entirely [illegible] vehicles. These technologies are mainly being used in electric vehicles to begin with, although they could also [illegible] in conventional [illegible] in the years ahead.

Digitalization of convenience features

[illegible] increasing digitalization is also shaping many other aspects of car mobility, including the enhancement of numerous functions that are meeting customers' growing demand for convenience. As well as requiring considerable IT expertise, reliable control of vehicle doors, tailgates, lids, etc. via smartphone apps or sensors only works in combination with electric drives that convert the control signals into motion in a reliable and targeted way.

The trends of electric mobility, autonomous driving and digitalization are overlapping with the sharp rise in recent years in the market share of SUVs and multi-purpose vehicles, which provide sufficient room for the growing space and convenience requirements of a discerning clientele. Electric POWERISE drives from Stabilus [illegible] automobiles are [illegible] function as a result of this development. As well as in the top-[illegible] also being [illegible] vehicles [illegible] 20 car models now boast this convenience feature.

One example of how much growth potential there is with further innovative applications for POWERISE drives is the Falcon Wing doors that have gone into series production for the first time in the new Tesla Model X. This is a revolutionary concept for accessing the rear seats of a vehicle. With sophisticated kinematics, an innovative sensor system and eight POWERISE drives per vehicle, they take up much less space when opening than conventional vehicle doors while also making it easier for passengers to get in and out of the vehicle. Another POWERISE drive opens and closes the trunk lid. The future will bring further new applications of the POWERISE technology for the automotive and industrial business.

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The expansion of electric mobility also involves ongoing digitalization of key vehicle functions, which constitutes another future trend. For instance, the proportion of vehicles that provide wide-ranging assistance systems up to semi-autonomous driving has been rising sharply for years. Subject to the corresponding legal framework, multiple manufacturers are also close to market maturity with the development of entirely driverless vehicles. These technologies are mainly being used in electric vehicles to begin with, although they could also feature increasingly in conventional automobiles in the years ahead.

Digitalization of convenience features requires powerful electric drives

However, beyond autonomous driving, increasing digitalization is also shaping many other aspects of car mobility, including the enhancement of numerous functions that are meeting customers' growing demand for convenience. As well as requiring considerable IT expertise, reliable control of vehicle doors, tailgates, lids, etc. via smartphone apps or sensors only works in combination with electric drives that convert the control signals into motion in a reliable and targeted way.

The trends of electric mobility, autonomous driving and digitalization are overlapping with the sharp rise in recent years in the market share of SUVs and multi-purpose vehicles, which provide sufficient room for the growing space and convenience requirements of a discerning clientele. Electric POWERISE drives from Stabilus for the tailgates, lids or doors of automobiles are a hugely popular convenience function as a result of this development. As well as in the top-of-the-range segment, they are also being installed in mid-range and compact vehicles with rapidly increasing frequency. Around 50 car models now boast this convenience feature.

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DETAILS DECIDE...

...WHETHER **NEW TECHNOLOGIES** CAN BE **TESTED** EFFECTIVELY

High-performance dampers enable controlled, safe operation of a driving simulator all the way to its end positions.

↓

Stabilus dampers ensure the reliability of automotive and industrial products

In our globalized economy, automotive and industrial firms face major competitive pressure as a result of the ever-faster pace of change in end customers' requirements. Consequently, companies always need to be well ahead with their products in order to enjoy long-term success. Accordingly, innovation cycles for new products have been getting ever shorter across all sectors for years.

In order to increase the pace of development and achieve the perfect simulation of real use conditions in test runs while also limiting development costs, manufacturers and test agencies operate complex, high-quality testing systems such as driving simulators in the automotive industry. If these systems are to deliver precise measurement data reliably and if valuable measuring equipment is not to be impaired by vibrations or impacts during testing, they need protection. For example, building foundations and large test stations are decoupled from vibrations in the surrounding area using air springs, or the movement system of a driving simulator is protected by safety shock absorbers in the final positions of its movements.

Innovations from Stabilus increase safety, service life and convenience

Stabilus vibration and motion dampers give valuable technical equipment effective protection against damage and impairments. This is why they are used in all kinds of industrial products and systems these days: In test benches and simulators as well as industrial processing machinery, vehicle steering systems and agricultural machinery.

With its acquisition of the damping and gas-spring specialists ACE, Hahn Gasfedern, Fabreeka and Tech Products in 2016, Stabilus has broadened its profile as a leading provider of industrial damping technology. High-performance solutions for vibration and shock isolation now also form part of the Stabilus product portfolio. The four companies have added numerous innovative solutions for customers from the automation and mechanical-engineering sectors in particular. Easier, stronger, smaller – expert development teams are transforming the available expertise into products that meet every customer requirement. As a result, numerous new potential applications arise each year in the context of the Stabilus innovation process.

↓ DETAILS DECIDE...

Harvest demands optimum performance from workers and machinery alike. Stabilus products enable convenient and efficient working.

...THE **RELIABILITY** OF OUR **FOOD SUPPLY**

Stabilus gas springs make agricultural machinery more efficient

The world's population is growing rapidly: In 1927, just two billion people lived on our planet, compared with 7.4 billion people today. Although global population growth is likely to level out in the coming decades, the UN revised its estimate upwards once again in 2015: It now expects 9.7 billion people by 2050, with the figure forecast to rise as high as 11.2 billion by 2100.

While the population is growing, land available for agricultural use remained relatively stable at approximately five billion hectares in the period from 2000 to 2013. However, this land is used very unequally: Whereas an EU citizen now requires an average of 1.3 hectares of land each to cover their consumption, a resident of Bangladesh only uses a sixth of this area. Even so, due to rising life expectancy worldwide and the growing standard of living, average demand per head is likely to increase, particularly in emerging and developing nations.

It is therefore hardly surprising that agricultural companies are dealing with the question of how to make agriculture more intensive worldwide and how to make cultivation more efficient and sustainable. Sufficient food supplies for the world's population will only still be possible in 2100 if this is achieved.

Technology is the crucial factor

Along with the development of sustainable land-use concepts, efficient fertilizers and the ongoing digitalization of agriculture, state-of-the-art machinery is also increasing productivity in the agricultural industry. These days, successful agricultural businesses are extremely efficiently organized companies for which low downtimes and the optimum use of machinery are essential aspects of economic efficiency. Harvesting machines such as combine harvesters, which can only be deployed in a narrow time frame, represent sizable investments where maximum machine running times are a key success factor.

Stabilus gas springs and dampers help to make agricultural machinery easier, more convenient and safer to operate and maintain. Leading agricultural machinery manufacturers worldwide are aware of this: For example, the five largest globally established manufacturers are all Stabilus customers. Up to 36 gas springs and dampers are used in modern harvesting machines. Through controlled and damped lifting, lowering and adjustment of components such as hoods, tailgates, lids, covers, hatches, doors and seats, they make operation easier for the machine drivers and simplify access for maintenance work. In this way, Stabilus makes a significant contribution to optimal machine utilization. This is especially important during the harvest, when farmers are active almost 24 hours a day as the weather permits. Gas springs and dampers therefore help them to make accurate investment calculations and ensure that their agricultural production is able to keep pace with the growth in consumer demand.

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↓ Stabilus gas springs make agricultural machinery more efficient

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DETAILS
DECIDE...

Stabilus dampers in solar farms are a factor in the economic efficiency of investments.

...WHETHER **INVESTMENTS** PAY OFF IN THE **LONG TERM**

Stabilus dampers strengthen solar panels

Global generation of solar power is growing quickly year by year. While units with a total power output of just five gigawatts (GW) were installed worldwide in 2005, the figure was already 227 GW in 2015 – an almost fifty-fold increase in just a decade, and it continues to rise.

Since the turn of the century, climate change, the essentially finite nature of fossil-energy production and the growing move away from nuclear power in some parts of the world have given a significant boost to the global expansion of renewable energies – and solar energy is prominent among them. To date, several billion euros have been spent on subsidies for renewable energies. Consequently, the past decade was characterized by significant expansion in renewable-energy production as well as the development of the underlying technologies.

State funding is now being scaled back. The [illegible] objective [illegible] the competitiveness of renewable energies compared with conventional energies without public-sector funding.

The share of renewable energies, particularly solar energy, in the global energy mix will continue to rise sharply. Key factors here are solar farms, where large sites in favorably located regions are fitted with photovoltaic systems that in turn consist of [illegible] of individual solar modules. This is a global growth market in which the solar-module providers that offer the most efficient and long-lasting product solutions will prevail.

Consistently high output is crucial

Solar-power units need to produce electricity reliably for over 20 years in order to be economically viable. They are exposed to wind and weather all day, every day. Maintaining their functionality throughout this period with no appreciable decline in output places huge demands on the design of the units and their production quality.

In many regions of the world, precise alignment of the panels at the right angle in relation to the sun, the longevity of the modules and low maintenance intensity are critical success factors. If these factors are guaranteed, solar power generation [illegible] economically viable across the [illegible] cycle and [illegible] is attainable. These are not easy conditions given that many large solar farms are built in remote regions with consistently high solar radiation (deserts and desert-like regions) where winds are often strong and persistent.

Stabilus dampers are already in use in numerous solar farms. Overall, solar farms with a capacity of 4.8 GW have been built or are planned with this technology. Stabilus dampers minimize the impact of wind on solar modules and their carrier systems by preventing vibrations that adversely affect the structure, thereby preventing damage to the units. This protective function means that less steel is used in the mounting frames of the solar panels, making them cost-optimized to build. Consequently, the dampers help the solar industry to generate maximum income reliably and over several decades.

Stabilus dampers in solar farms are a factor in the economic efficiency of investments.

↓

Stabilus dampers strengthen solar panels

Global generation of solar power is growing quickly year by year. While units with a total power output of just five gigawatts (GW) were installed worldwide in 2005, the figure was already 227 GW in 2015 – an almost fifty-fold increase in just a decade, and it continues to rise.

Since the turn of the century, climate change, the essentially finite nature of fossil-energy production and the growing move away from nuclear power in some parts of the world have given a significant boost to the global expansion of renewable energies – and solar energy is prominent among them. To date, several billion euros have been spent on subsidies for renewable energies. Consequently, the past decade was characterized by significant expansion in renewable-energy production as well as the development of the underlying technologies. State funding is now being scaled back. The new objective is grid parity, i.e. the competitiveness of renewable energies compared with conventional energies without public-sector funding.

The share of renewable energies, particularly solar energy, in the global energy mix will continue to rise sharply. Key factors here are solar farms, where large sites in favorably located regions are fitted with photovoltaic systems that in turn consist of a large number of individual solar modules. This is a global growth market in which the solar-module providers that offer the most efficient and long-lasting product solutions will prevail.

Consistently high output is crucial

Solar-power units need to produce electricity reliably for over 20 years in order to be economically viable. They are exposed to wind and weather all day, every day. Maintaining their functionality throughout this period with no appreciable decline in output places huge demands on the design of the units and their production quality.

In many regions of the world, precise alignment of the panels at the right angle in relation to the sun, the longevity of the modules and low maintenance intensity are critical success factors. If these factors are guaranteed, solar-power generation is economically viable across the life cycle and grid parity is attainable. These are not easy conditions given that many large solar farms are built in remote regions with consistently high solar radiation (deserts and desert-like regions) where winds are often strong and persistent.

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↓ CRUCIAL DETAILS: **AUTOMOTIVE**

Stabilus solutions are used to realize key convenience functions in modern passenger cars.

Components and system solutions for the automotive industry

Along with electric mobility and autonomous driving, convenience is a key megatrend for the future of the car industry. Buyers of new vehicles increasingly want intelligent solutions to make their car easier to drive and operate. These include intelligent operating systems, effective sound insulation, powerful air-conditioning systems with minimum draft and innovative chassis technologies, as well as gas springs, dampers and electromechanical drives for lids, tailgates, seats and doors in cars. The trend towards the increased use of convenience functions in the automotive industry is continuing. Together with the ability of Stabilus to develop and successfully market new, value-added applications, this development offers significant growth potential for the company.

In the past business year, the automotive business of Stabilus posted strong growth.

Globally there is a market trend towards SUVs and multi-purpose vehicles.

≈800

Around 800 car models worldwide use Stabilus products and solutions.

Democratization of convenience

This market trend is increasingly being bolstered by the ongoing strong growth in market share of SUVs and multi-purpose vehicles that give their users a choice of seats or lots of stowage space and are closed with relatively large trunk lids or tailgates. These seats and trunk lids or tailgates can be moved easily and safely with the assistance of gas springs. Electromechanical drives are increasingly used for the trunk lids and tailgates.

Whereas the POWERISE drives were mainly installed in top-of-the-range vehicles in the past, POWERISE is now capturing the mid-range and compact classes. This development in particular is responsible for the strong growth rates for unit sales of POWERISE systems.

Growth in gas springs and dampers too

However, high and further growing numbers of Stabilus gas springs are also being used in tailgates, trunk lids, engine hoods and vehicle-seat adjustment mechanisms. They make operation easier and increase safety as well as convenience.

Dorstop, a convenience application currently used primarily in top-of-the-range vehicles that continuously holds the opened door in a selected position, helps to prevent unwanted door movements. When getting in and out, this prevents adverse contact with adjacent vehicles and stops the unintentional movement of the rear door in off-road vehicles.

Summary: Demand for ease of operation combined with driving convenience and comfort is steadily growing. This means there is a corresponding upturn in the number of potential applications for Stabilus gas springs, dampers and POWERISE drives.

↓

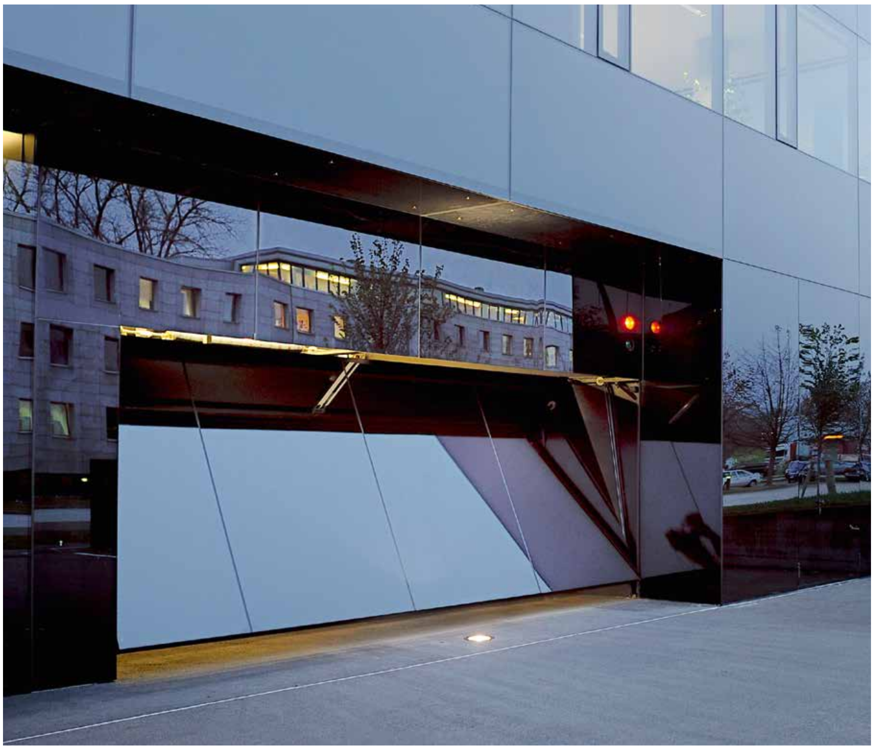
CRUCIAL DETAILS: **INDUSTRIAL BUSINESS**

Electromechanical spindle drives are used in industrial products to support manual work.

Ergonomics, safety and convenience for industrial applications

Stabilus gas springs, dampers and electromechanical drives are used to optimize the ergonomics and operating safety of all kinds of commercial applications and consumer products. They help to improve working conditions while preventing work-related health hazards, thus playing a key role in keeping a generally aging global population on the move and able to work.

In the area of industrial business alone, more than 10,000 customers rely on Stabilus solutions. These solutions can be found wherever motion needs to be initiated, controlled and damped, and they ensure simple, ergonomic operation. Along with a wide range of variants and maximum quality, another crucial factor in full utilization of this potential is product development geared towards the specific application requirements of the end products.



Gas springs enable optimal gate movement.

Gas springs are used in many everyday objects, making them easier to use.

Working behind the scenes

Stabilus gas springs, dampers and electromechanical drives do most of their work "behind the scenes" and can be found wherever convenience and creativity were much more than an afterthought. For example, they are used in store construction and in private households for applications such as store counters, living-room cabinets and kitchen furniture – including for motion damping in the much-loved pull-out cabinets or in high-quality cooker hoods. Further applications range from rehabilitation equipment and wheelchairs to seats in airplanes, commercial vehicles and office chairs. The interaction between multiple gas springs enables convenient adjustment mechanisms.

First successful industrial application of POWERISE

In the industrial sector, companies in segments such as mechanical engineering, automation engineering, regenerative energy production and building services engineering use Stabilus solutions. The electromechanical POWERISE drive is now also taking a hold in industrial applications: For instance, they are now being used in high-quality centrifuges for blood banks that open automatically, indicating to the laboratory staff that the next step can now be taken.

Summary: The trend towards simpler operation of things is robust across all sectors and is being bolstered by the three megatrends of demographic change, worldwide growth of the middle classes, and a global rise in occupational health and safety. The creativity of customers in finding technical solutions for these challenges is the main driving force behind the growth of Stabilus.

10,000

More than 10,000 customers worldwide rely on Stabilus products.

STABILUS **SHARE**

+50%

Stabilus' share price up by 50%.

€0.50

The Management Board and Supervisory Board propose a dividend of €0.50 per share.

Stabilus share price up by 50%

Stabilus' share price increased by 50% over the course of the fiscal year 2016 and once again substantially outperformed peer indices: SDAX, DAXsector All Automobile and DAXsector Industrial.

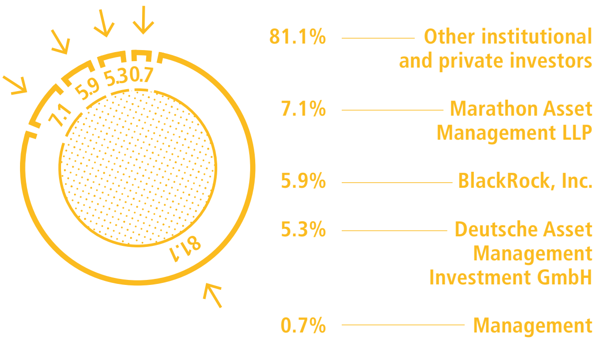
Capital increase

On July 6, 2016, Stabilus utilized some of its authorized capital by issuing 3,976,744 new shares and placing these shares with institutional investors. As a result, the total number of shares increased from 20,723,256 to 24,700,000 and the share capital increased from €207,232.56 to €247,000 correspondingly. The gross proceeds totaled €159.1 million and were primarily used for the partial financing of the acquisition of SKF Group entities ACE, Hahn Gasfedern and Fabreeka/Tech Products. The capital increase strengthened the Company's balance sheet providing greater flexibility and supporting further growth of the Stabilus Group.

Shareholder structure

According to the voting rights notifications received until September 30, 2016, Marathon Asset Management LLP, BlackRock, Inc. and Deutsche Asset Management Investment GmbH each hold more than 5% of Stabilus shares. Stabilus management, i.e. members of the Management Board and of the Supervisory Board, hold 0.7% of the total shares. The aforementioned and all other voting-right notifications are published on www.ir.stabilus.com.

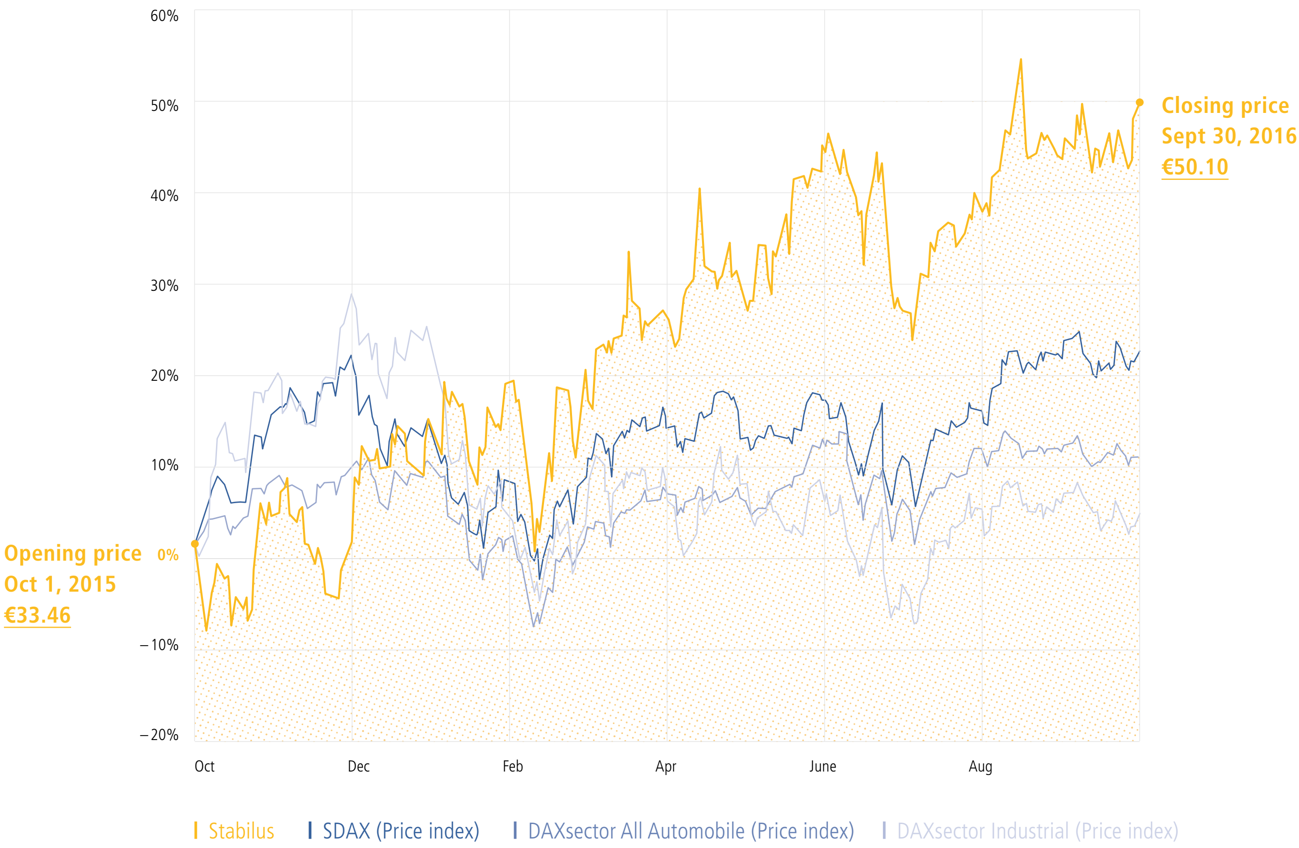
Shareholder Structure
in % as of September 30, 2016



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, 2016)	24,700,000
Type of shares	Bearer shares with a nominal value of €0.01
Capital stock (Sept 30, 2016)	€247,000

Share price performance



Regular dialog with investors and analysts

In fiscal year 2016 we continued to pursue our goal of providing all market participants with relevant and reliable information. We conducted 19 roadshows in Europe's and North America's major financial centers and participated in the following ten international conferences:

- Commerzbank German Investment Seminar
  New York, USA
- Kepler Cheuvreux 15th German Corporate Conference
  Frankfurt am Main, Germany
- Bankhaus Lampe Deutschlandkonferenz
  Baden-Baden, Germany
- UBS Pan European Small and Mid-Cap Conference 2016
  London, UK
- Commerzbank Mid Cap Investment Conference 2016
  Boston and New York, USA
- Societe Generale Nice Conference
  Nice, France
- Berenberg European Conference USA 2016
  Tarrytown, USA
- J.P. Morgan 4th Annual Auto Conference
  London, UK
- Commerzbank Sector Conference 2016
  Frankfurt am Main, Germany
- Berenberg Goldman Sachs Fifth German Corporate Conference
  Munich, Germany

Over the course of fiscal 2016, we hosted 11 plant visits at the company's operational headquarters in Koblenz, Germany.

Development of Stabilus share price since IPO

Research coverage

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

Bankhaus Lampe	Christian Ludwig
Commerzbank	Sascha Gommel, Yasmin Moschitz
Hauck & Aufhäuser	Christian Glowa
J.P. Morgan	Nikhil Bhat, Jose M Asumendi
Kepler Cheuvreux	Hans-Joachim Heimbürger
Macquarie	Christian Breitsprecher
MainFirst	Florian Treisch
Oddo Seydler	Stefan Augustin
Societe Generale	Stephen Reitman, Erwann Dagorne, Phillippe Barrier

Annual General Meeting

Approximately 55% of equity capital was represented at our Annual General Meeting which was held on February 17, 2016 in Luxembourg. Each of the agenda points proposed by the company's management was approved by a large majority of the shareholders. Dr. Joachim Rauhut and Dr. Ralf-Michael Fuchs were appointed as members of the Supervisory Board. All of the documents and information regarding the Annual General Meeting can be found at www.ir.stabilus.com.

Dividend proposal or €0.50 per share

The Management Board and the Supervisory Board have resolved to propose a dividend distribution of €0.50 per share to the Annual General Meeting to be held in Luxembourg on February 15, 2017. With this proposal, our shareholders participate in the Company's success. The total dividend will thus amount to €12.35 million (PY: –) and the distribution ratio will be 25.7% of the consolidated profit attributable to the Stabilus shareholders.

B

CHAPTER B

COMBINED **MANAGEMENT REPORT**

COMBINED MANAGEMENT REPORT

as of and for the fiscal year ended September 30, 2016

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 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 sector, including furniture applications. 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 30% of Group's revenue in fiscal 2016 come from 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 in vehicle tailgates. With the acquisition of Hahn Gasfedern, ACE and Fabreeka / Tech Products in fiscal 2016 the Group expanded its product offering which now contains additional damping solutions including vibration insulation. Stabilus' strategic aim is to further extend its leadership positions in these industries. The key focus areas of its strategy 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

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 take advantage of the rapidly growing Chinese automotive manufacturing sector, the Company plans to increase revenue from Chinese OEMs. 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.

Stabilus plans to further take advantage of the strong growth rates of automatic opening and closing systems driven by comfort requirements across all regions. The strong consumer demand for SUVs, crossovers and hatchback cars provides a reliable base for business growth. 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, where the Group's footprint is comparatively less strong. 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 is in the process of ramping up the 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.

Swivel Chair: Supplying high quality products

As the only non-Asian producer of gas springs for high quality swivel chairs, Stabilus is in an excellent position to gain further market share in Europe and NAFTA. Management has successfully turned around the Swivel Chair business and today the business is growing profitably again. 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 swivel chairs and industrial applications, such as airplane seats.

The global population of older people is growing considerably faster than the population as a whole. 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 288 people in R&D across its three regional segments as of September 30, 2016. 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 modules for solar parks that automatically track sunlight in their setup, thus being subject to sometimes severe weather conditions such as strong winds. The Stabilus dampers help protect the modules from related wind damage.

Management expects that recent and continued wins at / from key clients 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 cost. 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", it has established its facilities in close proximity to the Group's customers and has 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 cost.

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 the positive outlook.

BUSINESS AND GENERAL ENVIRONMENT

Stabilus Group operates in automotive and in industrial markets.

In the industrial markets, we supply customers in a large number of sub-industries, e.g. industrial production equipment, automation, construction machinery, transportation (aircraft, truck and buses, marine), agriculture machinery, medial applications, renewable energy (in particular solar, wind) etc. 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 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 growth in the calendar year 2016 is expected to be 3.1% (2015: 3.2%). Advanced economies continue to experience persistent stagnation: The increase of the established economies' GDP is expected to be 1.6% in 2016 and 1.8% in 2017, compared to 2.1% in calendar year 2015. The developing economies are experiencing, on the other hand, higher growth rates for the first time in the last six years. Their growth rate of developing countries' GDP is expected to be 4.2% in 2016 and 4.6% in 2017, in contrast to 4.0% growth in 2015.

The IMF emphasizes that continuing stagnation in advanced economies could further fuel populist calls for restrictions on trade and immigration, with negative impact on growth, innovation and productivity. In addition to the continuing monetary policies of quantitative easing, structural reforms, as well as higher spending on education, infrastructure and technology continue to be needed in many countries to effectively counter the effects of enduring stagnation.

Latest growth projections for selected economies

T_001

% YEAR-ON-YEAR CHANGE IN THE CALENDAR YEAR	2015	2016*	2017*
World	**3.2%**	**3.1%**	**3.4%**
Advanced economies	**2.1%**	**1.6%**	**1.8%**
Euro Area	2.0%	1.7%	1.5%
United Kingdom	2.2%	1.8%	1.1%
United States	2.6%	1.6%	2.2%
Canada	1.1%	1.2%	1.9%
Japan	0.5%	0.5%	0.6%
Developing economies (emerging markets)	**4.0%**	**4.2%**	**4.6%**
Emerging and developing Europe	3.6%	3.3%	3.1%
Russia	(3.7)%	(0.8)%	1.1%
China	6.9%	6.6%	6.2%
Mexico	2.5%	2.1%	2.3%
Brazil	(3.8)%	(3.3)%	0.5%

Source: IMF, October 2016 World Economic Outlook.
* Projections.

Development of vehicle markets

The global production of light vehicles in the last twelve months developed positively. According to IHS forecasts as of October 2016, the global production is expected to increase from 88.7 million units in calendar year 2015 to approximately 91.2 million vehicles in 2016 which corresponds to a growth rate of 2.8% in 2016. Thus, in 2016, the output of new passenger cars and light commercial vehicles is forecast to reach around 51.9 million vehicles (+3.2% versus 50.3 million units in 2015) in Asia / Pacific and RoW, approximately 21.4 million vehicles (+2.4% versus 20.9 million units in 2015) in Europe and around 17.9 million vehicles (+2.3% versus 17.5 million units in 2015) in the NAFTA region.

Estimations of the German Association of the Automotive Industry (VDA), as of November 2016, show a global year-on-year increase of new car registrations in calendar year 2016 amounting to approximately 3%. The development varies significantly in the world's regions: +13% in Eastern Europe, +12% in Mexico, +10% in China, + 5% in Western Europe, -2% in the USA, – 10% in Russia and – 20% in Brazil.

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 in Asia / China. For instance: The German Department of Motor Vehicles (Kraft-

Production of light vehicles

T_002

IN MILLIONS OF UNITS PER CALENDAR YEAR	2012	2013	2014	2015	2016**	2017**
Europe	19.3	19.5	20.1	20.9	**21.4**	21.8
NAFTA	15.4	16.2	17.0	17.5	17.9	18.0
Asia / Pacific and RoW	46.7	49.0	50.2	50.3	51.9	53.0
Worldwide production of light vehicles*	**81.4**	**84.7**	**87.4**	**88.7**	**91.2**	**92.8**

Source: IHS
* Passenger cars and light commercial vehicles (<6t)
** IHS forecast as of October 2016

fahrt-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 2015, registrations of new SUVs in Germany increased by 15.2% in a year-on-year comparison and off-road vehicles by 11.0% – i.e. more strongly than other vehicle segments and total new car registrations which increased by 5.6%. In the ten-month period from January to October 2016, the registrations of new SUVs in Germany increased by 25.1% and the registrations of new off-road vehicles by 11.5%, compared to the respective period of the previous year.

SIGNIFICANT EVENTS

On April 26, 2016, Stabilus signed an agreement with the SKF Group to acquire ACE, Hahn Gasfedern and Fabreeka / Tech Products in an all-cash transaction for a total consideration of US$339 million. The agreement was subject to approval by the relevant antitrust authorities. On June 30, 2016, following the approval of antitrust authorities, Stabilus successfully closed the acquisition of these SKF Group entities.

The acquisition is in line with Stabilus' strategy to strengthen its industrial business. With this acquisition Stabilus expands its product portfolio in the industrial sector and taps new customer groups. The acquired companies are established industrial suppliers in the fields of motion control, damping and vibration control for a broad spectrum of clients in numerous fast-growing industry segments, such as automation technology, plant and machine engineering, commercial and rail vehicle manufacture as well as medical technology. The companies, which employ a total of around 550 people worldwide, have distinctive competences in specifically customized applications for medium to small lot sizes. They generated consolidated revenue of approximately US$120 million and EBIT of approx. US$30 million in the fiscal year 2015.

The acquisition was financed by a new €455 million term loan facility (replacing the existing €265 million term loan facility) and a €115 million equity bridge facility.

On July 5, 2016, the Supervisory Board agreed to the Management Board's proposal to utilize some of its existing authorized capital and to increase the share capital from €207,232.56 by €39,767.44 to €247,000.00 via issuance of 3,976,744 new bearer shares which will bear full dividend rights for the fiscal year 2016. Following the issuance of new shares, the total number of shares amounts to 24.7 million shares.

On July 6, 2016, the capital increase was successfully completed: Stabilus issued 3,976,744 new bearer shares and placed these shares with institutional investors. On July 7, 2016, the new shares were admitted for trading and included in the current listing in the Prime Standard segment of the Frankfurt Stock Exchange. The gross proceeds totaled €159.1 million and were used to fully redeem the €115 million equity bridge facility which had been drawn on June 29, 2016, to finance the acquisition of SKF Group entities ACE, Hahn Gasfedern and Fabreeka / Tech Products.

The Consolidated Financial Statements as of and for the fiscal year ended September 30, 2016 include the results of acquired entities for the last three months ended September 30, 2016 (fourth quarter of fiscal year 2016).

RESULTS OF OPERATIONS

The table below sets out Stabilus Group's consolidated income statement for the fiscal year 2016 in comparison to the fiscal year 2015:

Income statement

T _ 003

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Revenue	737.5	611.3	126.2	20.6%
Cost of sales	(547.7)	(463.6)	(84.1)	18.1%
Gross profit	**189.8**	**147.7**	**42.1**	**28.5%**
Research and development expenses	(26.6)	(24.2)	(2.4)	9.9%
Selling expenses	(55.5)	(44.1)	(11.4)	25.9%
Administrative expenses	(33.9)	(27.3)	(6.6)	24.2%
Other income	12.0	11.2	0.8	7.1%
Other expenses	(9.2)	(7.6)	(1.6)	21.1%
Profit from operating activities (EBIT)	**76.6**	**55.7**	**20.9**	**37.5%**
Finance income	2.6	17.9	(15.3)	(85.5)%
Finance costs	(13.3)	(42.4)	29.1	(68.6)%
Profit / (loss) before income tax	**65.9**	**31.1**	**34.8**	**>100.0%**
Income tax income / (expense)	(18.0)	(14.1)	(3.9)	27.7%
Profit / (loss) for the period	**48.0**	**17.0**	**31.0**	**>100.0%**

Revenue

Group's total revenue developed as follows:

Revenue by region

T _ 004

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Europe	364.2	308.5	55.7	18.1%
NAFTA	289.0	229.3	59.7	26.0%
Asia / Pacific and RoW	84.3	73.5	10.8	14.7%
Revenue	**737.5**	**611.3**	**126.2**	**20.6%**

Revenue by markets

T _ 005

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Automotive Gas Spring	320.0	294.4	25.6	8.7%
Automotive Powerise	195.3	139.8	55.5	39.7%
Automotive business	515.3	434.2	81.1	18.7%
Industrial / Capital Goods	171.0	149.3	21.7	14.5%
Vibration & Velocity Control	22.5	–	22.5	n/a
Swivel Chair	28.6	27.7	0.9	3.2%
Industrial business	222.2	177.1	45.1	25.5%
Revenue	**737.5**	**611.3**	**126.2**	**20.6%**

Revenue of our European entities increased year-over-year by 18.1% and revenue generated by our US and Mexican entities by 26.0%. Revenue of both our operating units Europe and NAFTA continues to benefit predominantly from the strong growth in the Powerise business. In addition, the newly acquired entities Hahn Gasfedern, ACE as well as Fabreeka / Tech Products contributed €17.4 million to Europe's revenue and €9.0 million to NAFTA's revenue in fiscal 2016. Approximately €12.2 million of the NAFTA's revenue increase was due to the stronger US dollar, i.e. due to the currency translation of NAFTA's revenue from US dollar to euro (average rate per €1: $1.11 in FY2016 versus $1.16 in FY2015). The revenue of Stabilus plants located in Asia / Pacific and RoW region increased by 14.7% from €73.5 million in fiscal 2015 to €84.3 million in fiscal 2016, essentially due to new customer wins and increased production capacity in China which more than offset the weakness in South America. The in fiscal 2016 acquired entities contributed €1.0 million to the revenue increase in Asia / Pacific and RoW.

The increase in total revenue is mainly due to our automotive market segment, particularly to our growing Powerise business. The increase in the Powerise business by 39.7% is mainly the result of new OEM platform wins and the subsequent launch of new Powerise programs for a number of key vehicle OEMs. In addition, the share of end customers (buyers of new vehicles) opting for this extra equipment continues to rise as well.

Revenue in the Industrial / Capital Goods unit in fiscal 2016 increased by €21.7 million or 14.5% to €171.0 million (PY: €149.3 million). €4.8 million of this revenue increase were contributed by newly acquired company Hahn Gasfedern which is part of this business unit from July 1, 2016 on.

The newly acquired companies ACE, Fabreeka and Tech Products form a new business unit from July 1, 2016. They contributed €22.5 million to the Group's revenue in fiscal 2016.

Swivel Chair revenue increased by 3.2% from €27.7 million in fiscal 2015 to €28.6 million in fiscal 2016.

Cost of sales and overhead expenses

COST OF SALES

Cost of sales increased from €(463.6) million in fiscal 2015 by 18.1% to €(547.7) million in fiscal 2016. Due to better fixed cost absorption (economies of scale especially from continuing growth of our Powerise business) and lower cost of sales as a percentage of revenue ratios of newly acquired companies, the cost of sales increased more slowly than the revenue growth of 20.6%. As a result, the cost of sales as a percentage of revenue decreased by 150 basis points to 74.3% (PY: 75.8%) and the gross profit margin improved to 25.7% (PY: 24.2%).

The newly acquired companies Hahn Gasfedern, ACE and Fabreeka / Tech Products are active in the industrial market and offer custom made products with small lot sizes combined with short lead times. This market approach provides stronger gross profit margins than the automotive business typically provides to Stabilus. On the other hand this approach drives higher overhead cost and necessitates a different manufacturing approach.

R&D EXPENSES

R&D expenses (net of R&D cost capitalization) increased by 9.9% from €(24.2) million in fiscal 2015 to €(26.6) million in fiscal 2016. As a percentage of revenue, R&D expenses decreased by 40 basis points to 3.6% (PY: 4.0%). The capitalization amount of R&D expenses decreased – from €(13.5) million in fiscal 2015 to €(12.6) million in fiscal 2016.

SELLING EXPENSES

Selling expenses increased from €(44.1) million in fiscal 2015 by 25.9% to €(55.5) million in fiscal 2016, mainly due to higher personnel expenses following higher staffing in China as well as the acquisition of Hahn Gasfedern, ACE, Fabreeka and Tech Products which have higher selling expenses to revenue ratios, compared to old Stabilus companies. As a percentage of revenue, the selling expenses increased to 7.5% (FY2015: 7.2%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased from €(27.3) million in fiscal 2015 by 24.2% to €(33.9) million in fiscal 2016 essentially due to incurred advisory costs of €3.9 million related to the acquisition of Hahn Gasfedern, ACE, Fabreeka and Tech Products as well as general pay increases at several locations. As a percentage of revenue, administrative expenses increased by 10 basis points to 4.6% (FY2015: 4.5%).

OTHER INCOME AND EXPENSE

Other income increased from €11.2 million in fiscal 2015 by €0.8 million to €12.0 million in fiscal 2016. This income statement line item mainly comprises foreign currency translation gains.

Other expense increased from €(7.6) million in fiscal 2015 by €(1.6) million to €(9.2) million in fiscal 2016. This income statement line item mainly comprises foreign currency translation losses.

FINANCE INCOME AND COSTS

Finance income decreased from €17.9 million in fiscal 2015 to €2.6 million in fiscal 2016 primarily due to lower net foreign exchange gains on intercompany loans.

Finance costs decreased from €(42.4) million in fiscal 2015 to €(13.3) million in fiscal 2016. The higher finance costs in the previous fiscal year 2015 comprised a derecognition of embedded derivatives of €(15.4) million and €(9.9) million early redemption charges (non-recurring items).

INCOME TAX EXPENSE

Driven essentially by increased pre-tax profit of €65.9 million in FY2016 (PY: €31.1 million), the income tax expense grew from €(14.1) million in fiscal 2015 to €(18.0) million in fiscal 2016.

EBITDA AND ADJUSTED EBITDA

The table below shows reconciliations of EBIT to EBITDA and adjusted EBITDA for the fiscal years 2016 and 2015.

Reconciliation of EBIT to adjusted EBITDA

T_006

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Profit from operating activities (EBIT)	**76.6**	**55.7**	**20.9**	**37.5%**
Depreciation	25.9	22.6	3.3	14.6%
Amortization	23.4	21.2	2.2	10.4%
EBITDA	**125.9**	**99.5**	**26.4**	**26.5%**
Advisory	3.9	1.4	2.5	>100.0%
Restructuring / ramp-up	–	5.3	(5.3)	(100.0)%
Pension interest add back	1.1	1.1	–	0.0%
PPA adjustments	2.3	–	2.3	n/a
Total adjustments	7.3	7.8	(0.5)	(6.4)%
Adjusted EBITDA	**133.3**	**107.3**	**26.0**	**24.2%**

Adjusted EBITDA represents EBITDA, as adjusted by management primarily in relation to severance, consulting, restructuring and other non-recurring costs, expenses for one-time legal disputes as well as interest on pension changes and expenses related to purchase price allocations. Adjusted EBITDA is presented because we believe it is a relevant measure for assessing performance as it is adjusted for certain one-time or non-recurring items (e.g. PPA adjustments – expense of step-ups on inventories) that are not expected to impact our Group going forward, and thus aids in an understanding of EBITDA in a given period.

In fiscal year 2016, advisory expenses of €3.9 million relate to the acquisition of ACE, Hahn Gasfedern, Fabreeka / Tech Products. PPA adjustments of €2.3 million in fiscal 2016 relate to the adjustment of acquired entities' inventories to fair value during the June 2016 purchase price allocation, these inventory step-ups were expensed in Q4 FY2016.

EBIT AND ADJUSTED EBIT

The following table shows reconciliations of profit from operating activities (EBIT) to adjusted EBIT for the fiscal years 2016 and 2015.

Reconciliation of EBIT to adjusted EBIT

T_007

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Profit from operating activities (EBIT)	**76.6**	**55.7**	**20.9**	**37.5%**
Advisory	3.9	1.4	2.5	>100.0%
Restructuring / ramp-up	–	5.3	(5.3)	(100.0)%
Pension interest add back	1.1	1.1	–	0.0%
PPA adjustments – depreciation and amortization	17.1	12.7	4.4	34.6%
Total adjustments	22.1	20.5	1.6	7.8%
Adjusted EBIT	**98.8**	**76.2**	**22.6**	**29.7%**

Adjusted EBIT represents EBIT, as adjusted by management primarily in relation to severance, consulting, restructuring and other non-recurring costs, expenses for one-time legal disputes, launch costs for new products as well as interest on pension changes and the depreciation and amortization of adjustments of Group's assets to fair value resulting from purchase price allocations.

In fiscal year 2016, advisory expenses of €3.9 million relate to the acquisition of ACE, Hahn Gasfedern, Fabreeka / Tech Products. The depreciation and amortization of adjustments of Group's assets to fair value resulting from PPA contain €12.7 million related to the April 2010 PPA and €4.4 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 2016 and 2015.

Operating segments T_008

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Europe				
External revenue[1]	364.2	308.5	55.7	18.1%
Intersegment revenue[1]	28.0	28.3	(0.3)	(1.1)%
Total revenue[1]	392.2	336.8	55.4	16.4%
Adjusted EBIT	54.1	41.1	13.0	31.6%
as % of total revenue	13.8%	12.2%		
as % of external revenue	14.9%	13.3%		
NAFTA				
External revenue[1]	289.0	229.3	59.7	26.0%
Intersegment revenue[1]	9.6	4.6	5.0	>100.0%
Total revenue[1]	298.5	233.9	64.6	27.6%
Adjusted EBIT	33.4	25.1	8.3	33.1%
as % of total revenue	11.2%	10.7%		
as % of external revenue	11.6%	10.9%		
Asia/ Pacific and RoW				
External revenue[1]	84.3	73.5	10.8	14.7%
Intersegment revenue[1]	0.8	0.4	0.4	100.0%
Total revenue[1]	85.1	73.9	11.2	15.2%
Adjusted EBIT	11.3	10.0	1.3	13.0%
as % of total revenue	13.3%	13.5%		
as % of external revenue	13.4%	13.6%		

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

The external revenue generated by our European companies increased by 18.1% – from €308.5 million in fiscal 2015 to €364.2 million in fiscal 2016. A major portion of the revenue growth, i.e. €26.9 million out of the €55.7 million revenue increase was generated by our Powerise business; in addition, a total of €17.4 million was contributed by the newly acquired companies Hahn Gasfedern, ACE, Fabreeka and Tech Products. In particular, Hahn Gasfedern which is now part of our Industrial / Capital Goods business unit contributed €4.8 million and the entities ACE, Fabreeka, Tech Products which form a new business unit Vibration & Velocity Control contributed €12.6 million to the Europe's revenue in fiscal 2016. As a result, the rate of Europe's organic year-on-year growth in fiscal 2016 was 12.4% (FY2015: 15.4%). Adjusted EBIT of the European segment increased by 31.6% or €13.0 million, €3.9 million thereof is the contribution of acquired entities. As a result, the adjusted EBIT margin, i.e. adjusted EBIT in percent of external revenue, increased by 160 basis points to 14.9% in fiscal 2016 (FY2015: 13.3%).

The external revenue of our companies located in the NAFTA region increased from €229.3 million in fiscal 2015 by 26.0% to €289.0 million in fiscal 2016. An amount of €27.2 million out of the €59.7 million increase was contributed by our Automotive Powerise business, €12.2 million were the result of stronger US dollar (translation effect of NAFTA's revenue) and €9 million were generated by the acquired entities ACE, Fabreeka, Tech Products. Excluding the effects from acquisition and currency translation leads to an organic year-on-year revenue growth of 16.8% (FY2015: 10.9%). Adjusted EBIT as percentage of external revenue increased in fiscal year 2016 by 70 basis points to 11.6% (FY2015: 10.9%).

In fiscal 2016, the external revenue of our companies in Asia / Pacific and RoW increased in the year-on-year comparison by €10.8 million or 14.7%. The major driver of this revenue improvement was our Automotive Gas Spring business which contributed €7.6 million. Additional €1.4 million revenue were generated by our Automotive Powerise unit: The new Powerise production line in China has been in operation since summer 2016 and is contributing to revenue of this operating segment. A total of €1.0 million was generated by our new Vibration & Velocity Control business unit, i.e. by entities which were acquired in fiscal 2016 (first-time consolidation in Q4 FY2016). Adjusting for the acquisition effect in fiscal 2016 leads to an organic revenue growth of 13.3% (FY2015: 16.3%). The adjusted EBIT increased in the year-on-year comparison by €1.3 million or 13.0%, €0.1 million are the result of the acquired entities.

FINANCIAL POSITION

Balance sheet T_009

IN € MILLIONS	Sept 30, 2016	Sept 30, 2015	Change	% change
Assets				
Total non-current assets	671.9	358.7	313.2	87.3%
Total current assets	265.6	183.6	82.0	44.7%
Total assets	**937.4**	**542.2**	**395.2**	**72.9%**
Equity and liabilities				
Total equity	262.9	76.7	186.2	>100.0%
Non-current liabilities	522.4	349.4	173.0	49.5%
Current liabilities	152.1	116.2	35.9	30.9%
Total liabilities	674.5	465.5	209.0	44.9%
Total equity and liabilities	**937.4**	**542.2**	**395.2**	**72.9%**

TOTAL ASSETS

The Group's balance sheet total increased from €542.2 million as of September 30, 2015 by 72.9% to €937.4 million as of September 30, 2016 essentially due to the acquisition (financed through additional debt and equity) and first-time consolidation of Hahn Gasfedern, ACE, Fabreeka and Tech Products. In particular, this transaction is reflected in balance sheet as higher goodwill (+€146.0 million), higher intangible assets (+€129.3 million), increased non-current financial liabilities (+€137.5 million) and increased equity (+€186.2 million).

NON-CURRENT ASSETS

Our non-current assets increased by €313.2 million primarily due to the identifiable non-current assets acquired within business combination (i.e. acquisition of Hahn Gasfedern, ACE and Fabreeka / Tech Products) amounting to €166.1 million and goodwill arising on acquisition amounting to €146.9 million.

CURRENT ASSETS

Current assets increased from €183.6 million as of September 30, 2015 by 44.7% or €82.0 million as of September 30, 2016. This is essentially the consequence of a higher cash balance (+€35.5 million) and higher trade accounts receivable (+€34.8 million).

EQUITY

The Group's equity as of September 30, 2016 increased from €76.7 million as of September 30, 2015 to €262.9 million as of September 30, 2016 as a consequence of higher capital reserves (+€152.8 million), generated and retained earnings of €48.0 million, partially offset by other comprehensive expense of €(14.3) million. Increase of capital reserves is the result of the capital increase on July 6, 2016, i.e. issuance of 3,976,744 new bearer shares. The gross proceeds of this capital increase amounted to €159.1 million; transaction costs of €6.3 million were directly recognized in equity. Other comprehensive expense in fiscal 2016 essentially comprised unrealized losses from foreign currency translation.

NON-CURRENT LIABILITIES

Non-current liabilities increased from €349.4 million as of September 30, 2015 by €173.0 million to €522.4 million as of September 30, 2016 mainly due to higher non-current financial liabilities (+€137.5 million), higher deferred tax liabilities (+€21.6 million) and higher non-current liability for pension plans and similar obligations (+€10.7 million). The increase of non-current financial liabilities is the result of the new €455 million term loan facility the Company entered into on June 7, 2016 and used for the acquisition of Hahn Gasfedern, ACE, Fabreeka and Tech Products as well as the replacement of the old €265 million term loan facility. In fourth quarter of fiscal 2016, the Group redeemed €50 million of the original €455 million term loan facility, the remaining principal amount as of September 30, 2016 was therefore €405 million. Deferred tax liabilities amounting to €33.7 million were acquired within business combination. The Group acquired the non-current liability for pension plans and similar obligations of €2.0 million within business combination; the remaining amount of €8.7 million of the €10.7 million increase were due to the lower discount rate used for the calculation of this liability (Sept 30, 2016: 1.35% versus Sept 30, 2015: 2.38%).

CURRENT LIABILITIES

Current liabilities increased from €116.2 million as of September 30, 2015 by 30.9% to €152.1 million as of September 30, 2016 primarily due to higher trade accounts payable (+€11.5 million) and higher current provisions (+€10.8 million).

LIQUIDITY

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities increased by €24.4 million from €86.0 million in fiscal 2015 to €110.4 million in fiscal 2016 mainly due to revenue growth and increased earnings (EBITDA improvement by €26.4 million: FY2016 EBITDA of €125.9 million vs. FY2015 EBITDA of €99.5 million), partially offset by higher net working capital.

CASH FLOW FROM INVESTING ACTIVITIES

Cash outflow for investing activities increased from €(51.2) million in fiscal 2015 to €(348.8) million in fiscal 2016, essentially due to the acquisition of assets and liabilities within business combination amounting to €(302.5) million (net of cash acquired) and €6.8 million proceeds from currency hedging. The capital expenditures in fiscal 2016, i.e. purchase of tangible and intangible assets (equipment and capitalized development costs), increased from €(51.5) million in fiscal 2015 to €(53.7) million in fiscal 2016. See Consolidated Statement of Cash Flows for further details.

Excluding the cash outflow for the acquisition of €(302.5) million and corresponding currency hedging proceeds of €6.8, the cash outflow for investing activities increased from €(51.2) million in fiscal 2015 to €(53.1) million in fiscal 2016.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities increased from an outflow of €(28.4) million in fiscal 2015 to an inflow of €276.1 million. The significant improvement by €304.5 million is primarily due to the refinancing of Group's financial liabilities, proceeds from the capital increase as well as significantly lower interest payments €(7.0) million in FY2016 vs. €(32.2) million in FY2015. See Consolidated Statement of Cash Flows for further details.

Excluding the cash flows for the refinancing of financial liabilities, i.e. receipts of €570.0 million and payments of €(432.5) million, as well as proceeds from the capital increase of €159.1 million, the cash outflow for financing activities decreased from €(28.4) million in fiscal 2015 to €(20.5) million in fiscal 2016. This improvement was primarily the result of premature and full redemption of all outstanding senior secured notes (interest rate of 7.75%) in June 2015 and the lower interest expenses on the subsequent syndicated loan (interest rate of 1.5%-2.0%) in the following periods.

Cash flows T_010

	Year ended Sept 30,			
IN € MILLIONS	2016	2015	Change	% change
Cash flows from operating activities	110.4	86.0	24.4	28.4%
Cash flows from investing activities	(348.8)	(51.2)	(297.6)	>100.0%
Cash flows from financing activities	276.1	(28.4)	304.5	<(100.0)%
Net increase / (decrease) in cash	**37.7**	**6.4**	**31.3**	**>100.0%**
Effect of movements in exchange rates on cash held	(2.1)	(0.4)	(1.7)	>100.0%
Cash as of beginning of the period	39.5	33.5	6.0	17.9%
Cash as of end of the period	**75.0**	**39.5**	**35.5**	**89.9%**

FREE CASH FLOW (FCF)

In the past periods the Group used the following definition of free cash flow (FCF): Free cash flow (FCF) comprises IFRS cash flow statement items "cash flow from operating activities", "cash flow from investing activities" and "payments for interest" (net interest payments). Going forward FCF will be defined as the total cash flow from operating and investing activities.

Free cash flow (before interest payments) decreased from €34.8 million in fiscal 2015 to €(238.4) million in fiscal 2016. The table T_011 sets out the composition of both FCF definitions.

Free cash flow

T_011

IN € MILLIONS	Year ended Sept 30, 2016	2015	Change	% change
Cash flow from operating activities	110.4	86.0	24.4	28.4%
Cash flow from investing activities	(348.8)	(51.2)	(297.6)	>100.0%
Free cash flow (before interest payments)	**(238.4)**	**34.8**	**(273.2)**	**<(100.0)%**
Payments for interest	(7.0)	(32.2)	25.2	(78.3)%
Free cash flow after interest payments	**(245.4)**	**2.6**	**(248.0)**	**<(100.0)%**

ADJUSTED FREE CASH FLOW

The adjusted free cash flow, i.e. free cash flow before acquisitions, increased from €34.8 million in fiscal 2015 to €57.3 million in fiscal 2016. See table T_012.

Adjusted FCF

T_012

IN € MILLIONS	Year ended Sept 30, 2016	2015	change	% change
Cash flow from operating activities	110.4	86.0	24.4	28.4%
Cash flow from investing activities before acquisitions	(53.1)	(51.2)	(1.9)	3.7%
Adjusted FCF[1]	**57.3**	**34.8**	**22.5**	**64.7%**

[1] Adjusted FCF = FCF before acquisitions

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

Total charges increased from €9.6 million in fiscal 2015 to €21.3 million in fiscal 2016 mainly due to advisory costs related to the acquisition of Hahn Gasfedern, ACE, Fabreeka and Tech Products.

The Company's income results from services to Stabilus Group entities. It comprises two items: other operating income as well as other interest and finance income.

Other operating income essentially contains income from affiliated undertakings, as a result of service level agreements.

Other interest and financial income in fiscal 2016 comprised €0.7 million interest on receivables to affiliated undertakings (FY2015: –).

As a result, loss for the period increased from €0.1 million in fiscal 2015 to €7.8 million in fiscal 2016.

Financial Position

Total assets of Stabilus S.A.'s balance sheet according to the statutory annual accounts increased from €468.7 million as of September 30, 2015 to €623.3 million as of September 30, 2016 mainly due to higher receivables from other Stabilus Group entities.

Fixed assets essentially comprise shares in affiliated undertakings which remained unchanged at €461.7 million as of September 30, 2016 (Sept 30, 2015: €461.7 million).

Current assets mainly comprise receivables from affiliated undertakings. These receivables increased from €6.1 million as of September 30, 2015 to €160.5 million as of September 30, 2016, triggered by the service level agreements between Stabilus S.A. and the affiliated undertakings.

Non subordinated debts essentially comprise liabilities to affiliated undertakings.

The Company's capital and reserves increased from €451.1 million as of September 30, 2015 to €602.4 million as of September 30, 2016 essentially due to the capital increase: On July 6, 2016 Stabilus issued 3,976,744 new bearer shares and placed these shares with institutional investors. The gross proceeds totaled €159.1 million and were used to finance the acquisition of ACE, Hahn Gasfedern and Fabreeka / Tech Products.

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 system.

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

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

The Company and individual entity financial statements are subject to external audits which act as an independent check and monitoring mechanism of the accounting system and its output. The principal risks that could have a material impact on the Group are set out in the Note 33 of the Consolidated Financial Statements and are summarized below.

Risks and opportunities related to the markets in which we operate

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

Due to our global presence, we are exposed to substantial risks and opportunities associated with the performance of the global economy. In general, demand for our products is dependent on the demand for automotive products as well as for commercial vehicles, agricultural machinery, medical equipment, 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 sale 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 70% of our revenue in the fiscal year ended September 30, 2016, 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, 30% of our revenue in the fiscal year ended September 30, 2016 from sales to our industrial customers. We sell our products to customers in diverse industries, including agricultural machines, 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 swivel chair 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 service 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 productions 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 technology, 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, violation of warranty obligations, treatment errors, safety provisions and claims arising from breaches of contract (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 copy our know-how without incurring any expenses of their own. Our intellectual property is oftentimes 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 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, 2016.

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 the September 30, 2015, 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.

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.

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 is described in the section "Management and Supervisory Board of Stabilus S.A.".

The Annual General Meeting shall be held on the third Wednesday of the month of February at 10 a.m. Luxembourg time. If such day is not a business day in Luxembourg, the meeting shall be held on the next following business day, at the same hour. The Management Board and Supervisory Board may convene extraordinary general meetings as often as the Company's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one tenth of the Company's share capital.

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

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

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

A) For information regarding the structure of capital, reference is made to Note 22 of the Consolidated Financial Statements.
B) The Articles of Incorporation of the Company do not contain any restrictions on the transfer of shares of the Company.
C) According to the voting rights notifications received in fiscal year 2016, the following shareholders held more than 5% of total voting rights attached to Stabilus shares as of September 30, 2016: 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: 1,460,598 voting rights attached to shares or 5.91% of total voting rights; financial instruments: 664,744 voting rights through financial instruments or 2.69% of total voting rights) and Deutsche Asset Management Investment GmbH, Frankfurt am Main, Germany (direct: 1,302,859 voting rights attached to shares or 5.27% of total voting rights).
D) The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employees.
E) The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employees.
F) The Articles of Incorporation of the Company do not contain any restrictions on voting rights.
G) 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).
H) 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.
I) 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.

J) 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.

K) 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 13, 2016, 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, 2016.

OUTLOOK

The global economic environment continues to remain challenging: In its latest October 2016 World Economic Outlook, the IMF essentially expects further stagnation of advanced economies in calendar years 2016 and 2017. Slowdown in the United States, Brexit, and possible further populist calls for restrictions on trade and immigration could further stifle the growth. The world economy is expected to expand in the year-on-year comparison by 3.1% in 2016 and by 3.4% in 2017, driven primarily by recoveries in major emerging markets and developing economies, including Russia and Brazil. See table T_001 on page 42 above.

IHS expect the worldwide production of light vehicles to increase to around 91.2 million units in calendar year 2016 (+2.8% y / y) and around 92.8 million units in calendar year 2017 (+1.8% y / y). See table T_002 on page 42 above.

We intend to grow our automotive and industrial business in all three regions: Thus, in fiscal 2017, in year-on-year comparison, we expect to improve revenue in all our operating segments – Europe, NAFTA, Asia / Pacific and RoW – by a growth rate in the range of 16% to 18%. Due to our growth projects and initiatives in China and the anticipated recoveries of emerging markets, we expect Asia / Pacific and RoW's growth to be at the upper end of this range. In general, a strong US dollar has a positive effect on the Group's revenue, resulting from the currency translation of NAFTA's revenue into euro. The above-mentioned revenue growth estimations are based on an US$ / € currency rate assumption of 1.15 $ / €.

Considering our product markets, we reason that Powerise will continue to be an important growth driver in the next fiscal year as well. In the Automotive Gas Spring and Industrial business units we aim to outperform the rate of worldwide light-vehicle production and the growth rate of the global economy (GDP growth) respectively.

Under assumption of the average US$ / € currency rate for fiscal 2017 of 1.15 $ / €, we expect a total revenue in fiscal 2017 of approximately €865 million – which corresponds to a revenue growth rate of around 17% – and an adjusted EBIT margin in the range of 13%-14%. A five dollar cent lower currency rate assumption of 1.10 $ / € would lead to a c. €15 million higher revenue expectation of approximately €880 million. On the other hand, a five dollar cent higher currency rate assumption of 1.20 $ / € would result in a c. €14 million lower revenue forecast of approximately €851 million.

C

CHAPTER C

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended September 30, 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year ended September 30, 2016

Consolidated statement of comprehensive income

T_013

IN € THOUSANDS	NOTE	Year ended Sept 30, 2016	2015
Revenue	5	737,501	611,271
Cost of sales	6	(547,700)	(463,594)
Gross profit		**189,801**	**147,677**
Research and development expenses	6	(26,590)	(24,218)
Selling expenses	6	(55,462)	(44,095)
Administrative expenses	6	(33,881)	(27,329)
Other income	7	12,074	11,238
Other expenses	8	(9,300)	(7,602)
Profit from operating activities		**76,644**	**55,671**
Finance income	9	2,556	17,851
Finance costs	10	(13,261)	(42,405)
Profit / (loss) before income tax		**65,938**	**31,117**
Income tax income / (expense)	11	(17,951)	(14,120)
Profit / (loss) for the period		**47,987**	**16,997**
thereof attributable to non-controlling interests		16	47
thereof attributable to shareholders of Stabilus	12	47,971	16,950
Other comprehensive income / (expense)			
Foreign currency translation difference [1]	22	(8,858)	(16,390)
Unrealized actuarial gains and losses [2]	22	(5,490)	34
Cash flow hedges - effective portion of changes in fair value [1]	22	6,798	–
Cash flow hedges - basis adjustment	22	(6,798)	–
Other comprehensive income / (expense), net of taxes		**(14,348)**	**(16,356)**
Total comprehensive income / (expense) for the period		**33,639**	**641**
thereof attributable to non-controlling interests		16	47
thereof attributable to shareholders of Stabilus		33,623	594
Earnings per share (in €):			
basic	12	2.21	0.82
diluted	12	2.21	0.82

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of September 30, 2016

Consolidated statement of financial position T_014

IN € THOUSANDS	NOTE	Sept 30, 2016	Sept 30, 2015
Assets			
Property, plant and equipment	13	167,569	133,952
Goodwill	14	197,457	51,458
Other intangible assets	15	295,815	166,475
Other assets	17	3,267	1,864
Deferred tax assets	11	7,743	4,929
Total non-current assets		**671,851**	**358,678**
Inventories	18	74,681	59,783
Trade accounts receivable	19	97,600	62,848
Current tax assets	20	1,160	3,465
Other financial assets	16	3,160	7,899
Other assets	17	13,923	10,093
Cash and cash equivalents	21	75,037	39,473
Total current assets		**265,561**	**183,561**
Total assets		**937,412**	**542,239**

Consolidated statement of financial position

T_014

IN € THOUSANDS	NOTE	Sept 30, 2016	Sept 30, 2015
Equity and liabilities			
Issued capital	22	247	207
Capital reserves	22	225,848	73,091
Retained earnings	22	72,535	24,871
Other reserves	22	(35,832)	(21,484)
Equity attributable to shareholders of Stabilus		**262,798**	**76,685**
Non-controlling interests		94	24
Total equity		**262,892**	**76,709**
Financial liabilities	23	396,095	258,644
Other financial liabilities	24	2,314	2,139
Provisions	25	3,781	1,032
Pension plans and similar obligations	26	58,738	47,989
Deferred tax liabilities	11	60,634	38,976
Other liabilities	29	879	576
Total non-current liabilities		**522,441**	**349,356**
Trade accounts payable	27	80,389	68,929
Financial liabilities	23	5,000	5,000
Other financial liabilities	24	9,399	7,978
Current tax liabilities	28	10,904	3,040
Provisions	25	30,898	20,128
Other liabilities	29	15,489	11,099
Total current liabilities		**152,079**	**116,174**
Total liabilities		**674,520**	**465,530**
Total equity and liabilities		**937,412**	**542,239**

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, 2016

Consolidated statement of changes in equity

T_015

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, 2014		**207**	**73,091**	**7,920**	**(5,128)**	**76,090**	**33**	**76,123**
Profit / (loss) for the period		–	–	16,950	–	16,950	47	16,997
Other comprehensive income / (expense)	22	–	–	–	(16,356)	(16,356)	–	(16,356)
Total comprehensive income for the period		–	–	16,950	(16,356)	594	47	641
Dividends		–	–	–	–	–	(56)	(56)
Balance as of Sept 30, 2015		**207**	**73,091**	**24,871**	**(21,484)**	**76,685**	**24**	**76,709**
Profit / (loss) for the period		–	–	47,971	–	47,971	16	47,987
Other comprehensive income / (expense)	22	–	–	–	(14,348)	(14,348)	–	(14,348)
Total comprehensive income for the period		–	–	47,971	(14,348)	33,623	16	33,639
Dividends	22	–	–	–	–	–	(78)	(78)
Change in non-controlling interest		–	–	(307)	–	(307)	133	(174)
Capital increase	22	40	152,757	–	–	152,797	–	152,797
Balance as of Sept 30, 2016		**247**	**225,848**	**72,535**	**(35,832)**	**262,798**	**94**	**262,892**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year ended September 30, 2016

Consolidated statement of cash flows

T _ 016

IN € THOUSANDS	NOTE	Year ended Sept 30, 2016	2015
Profit / (loss) for the period		47,987	16,997
Current income tax expense	11	29,961	16,920
Deferred income tax expense	11	(12,010)	(2,800)
Net finance result	9/10	10,705	24,554
Depreciation and amortization (incl. impairment losses)	6	49,285	43,813
Other non-cash income and expenses		(22,098)	(3,142)
Changes in inventories		277	(10,243)
Changes in trade accounts receivable		(23,596)	(6,351)
Changes in trade accounts payable		7,615	15,205
Changes in other assets and liabilities		10,722	(2,718)
Changes in provisions		13,190	8,235
Changes in deferred tax assets and liabilities		12,010	2,800
Income tax payments	35	(13,599)	(17,274)
Cash flow from operating activities		**110,449**	**85,996**
Proceeds from disposal of property, plant and equipment		543	267
Purchase of intangible assets	15	(13,783)	(15,365)
Purchase of property, plant and equipment	13	(39,895)	(36,068)
Acquisition of assets and liabilities within the business combination, net of cash acquired	4	(302,478)	–
Proceeds from currency hedging related to business combinations		6,798	–
Cash flow from investing activities		**(348,815)**	**(51,166)**
Receipts from contributions of equity	22	159,070	–
Receipts under senior facilities	23	570,000	270,000
Payments for redemption of senior secured notes		–	(256,123)
Payments for redemption of senior facilities		(432,500)	(2,500)
Payments for finance leases	30	(471)	(1,841)
Payments of transaction costs		(12,788)	(5,650)
Dividends paid to non-controlling interests		(78)	(56)
Payment for acquisition of non-controlling interests		(174)	–
Payments for interest	35	(6,984)	(32,237)
Cash flow from financing activities		**276,075**	**(28,407)**
Net increase / (decrease) in cash and cash equivalents		**37,708**	**6,423**
Effect of movements in exchange rates on cash held		(2,145)	(444)
Cash and cash equivalents as of beginning of the period		39,473	33,494
Cash and cash equivalents as of end of the period		**75,037**	**39,473**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as of and for the fiscal year ended September 30, 2016

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 13, 2016.

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 19.

Deferred tax assets:
The valuation of deferred tax assets is based on mid-term business plans of the entities carrying the deferred tax asset. The mid-term business plans range from three to five years and include various assumptions and estimates relating to the business development, strategic changes, cost optimization and business improvement and also general market and economic development. Deferred tax assets are recognized to the extent that sufficient taxable profit will be available for the utilization of the deductible temporary differences. Stabilus recognizes a valuation allowance for deferred tax assets when it is unlikely that sufficient future taxable profit will be available. Please also refer to Note 11.

Provisions:

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

RISKS AND UNCERTAINTIES

The Group's net assets, financial position and results of operations are subject to risks and uncertainties. Actual results can vary from expectations due to changes in the overall economy, evolvement of price-aggressive competitors, significant price changes for raw materials and overall purchase costs. Furthermore quality issues may result in significant costs for the Group. The Group financing is based on variable interest rates and is subject to risks and uncertainties due to the development of the Euribor and the net leverage level of the Company. The term of the loan agreement ends June 2021.

GOING CONCERN

These consolidated financial statements are prepared based on 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., 41 (PY: 27) subsidiaries (see following list), are included in the consolidated financial statements as of September 30, 2016.

Subsidiaries T_017

NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
Servus Sub S.à r.l.	Luxembourg	Stabilus S.A.	100.00%	Full
Servus Luxembourg S.à r.l.	Luxembourg	Stabilus S.A.	100.00%	Full
Servus III (Gibraltar) Limited	Gibraltar	Stabilus S.A.	100.00%	Full
Servus Luxembourg Holding S.C.A.	Luxembourg	Servus Sub S.à r.l.	99.9968%	Full
		Servus Luxembourg S.à r.l.	0.0032%	
Blitz F10-neun GmbH	Koblenz, Germany	Stabilus S.A.	100.00%	Full

Subsidiaries

T_017

NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
Blitz F10-acht-drei-drei GmbH & Co KG	Koblenz, Germany	Servus III (Gibraltar) Limited	94.90%	Full
		Blitz F10-neun GmbH	5.10%	
Stable II S.à r.l.	Luxembourg	Servus Luxembourg Holding S.C.A.	94.90%	Full
		Blitz F10-acht-drei-drei GmbH & Co KG	5.10%	
Stable Beteiligungs GmbH	Koblenz, Germany	Stable II S.à r.l.	100.00%	Full
Stable HoldCo Inc.	Wilmington, USA	Stable Beteiligungs GmbH	100.00%	Full
Stable HoldCo Australia Pty. Ltd.	Dingley, Australia	Stable II S.à r.l.	100.00%	Full
Stable UK HoldCo Ltd.	Banbury, United Kingdom	Stabilus UK Ltd.	100.00%	Full
LinRot Holding AG	Zurich, Switzerland	Stable II S.à r.l.	100.00%	Full
Stabilus UK Ltd.	Banbury, United Kingdom	Stable Beteiligungs GmbH	100.00%	Full
Stabilus GmbH	Koblenz, Germany	Stable Beteiligungs GmbH	100.00%	Full
Stabilus Powerise GmbH	Melle, Germany	LinRot Holding AG	100.00%	Full
Stabilus Pty. Ltd.	Dingley, Australia	Stable HoldCo Australia Pty. Ltd.	100.00%	Full
Stabilus Ltda.	Itajubá, Brazil	Stabilus GmbH	99.99%	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	Stable HoldCo Inc.	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
Orion Rent Imobiliare S.R.L.	Brasov, Romania	Stable Beteiligungs GmbH	98.00%	Full
		Stabilus UK Ltd.	2.00%	
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
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	Büttelborn, Germany	Fabreeka International Holdings Inc.	100.00%	Full
Fabreeka GB Inc.	Stoughton, USA	Fabreeka International Holdings Inc.	100.00%	Full
ACE Controls Inc.	F. Hills, USA	Stabilus US Holding Corp.	100.00%	Full
ACE Controls Japan L.L.C.	F. Hills, USA	ACE Controls Inc.	100.00%	Full
ACE Controls (Pinghu) Co. Ltd.	Jiaxing City, China	ACE Controls Inc.	100.00%	Full
ACE Controls International Inc.	F. Hills, USA	Stabilus US Holding Corp.	100.00%	Full
ACE Stoßdämpfer GmbH	Langenfeld, Germany	ACE Controls International Inc.	5.10%	Full
		Stabilus Motion Controls GmbH	94.90%	Full
Hahn-Gasfedern GmbH	Aichwald, Germany	Stabilus Motion Controls GmbH	100.00%	Full

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 (€).

Each entity in the Group determines its functional currency, 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.

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_018

		Closing rate Sept 30,		Average rate for the year ended Sept 30,	
COUNTRY	ISO CODE	2016	2015	2016	2015
Australia	AUD	1.4627	1.6118	1.5098	1.4596
Brazil	BRL	3.6208	4.6145	4.0300	3.4048
China	CNY	7.4854	7.1672	7.2606	7.1614
South Korea	KRW	1,234.2600	1,346.6700	1,293.7400	1,286.5100
Mexico	MXP	21.8853	19.2032	19.9038	17.3371
Romania	ROL	4.4523	4.4167	4.4853	4.4410
USA	USD	1.1223	1.1245	1.1110	1.1602

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, 2016. In financial year 2016, the following new and revised standards and interpretations had to be applied for the first time in the Group's financial statements:

New standards and interpretations

T_019

STANDARD / INTERPRETATION		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
Annual Improvements	Annual Improvements to IFRSs 2011-2013 Cycle (issued on December 12, 2013)	July 1, 2014	January 1, 2015	No impact
Annual Improvements	Annual Improvements to IFRSs 2010-2012 Cycle (issued on December 12, 2013)	July 1, 2014	February 1, 2015	Immaterial
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions (issued on November 21, 2013)	July 1, 2014	February 1, 2015	Immaterial

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

Standards and interpretations issued and endorsed by the EU (not yet adopted)

T_020

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus' financial statements
Amendments to IAS 16 and IAS 41	Bearer Plants (issued on June 30, 2014)	January 1, 2016	January 1, 2016	No impact
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (issued on May 6, 2014)	January 1, 2016	January 1, 2016	No impact
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (issued on May 12, 2014)	January 1, 2016	January 1, 2016	No impact
Annual Improvements	Annual Improvements to IFRSs 2012–2014 Cycle (issued on September 25, 2014)	January 1, 2016	January 1, 2016	No impact
Amendments to IAS 1	Disclosure Initiative (issued on December 18, 2014)	January 1, 2016	January 1, 2016	Evaluating
Amendments to IAS 27	Equity Method in Separate Financial Statements (issued on August 12, 2014)	January 1, 2016	January 1, 2016	No impact
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities – Applying the Consolidation Exception (issued on 18 December 2014)	January 1, 2016	January 1, 2016	No impact
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	Evaluating
IFRS 9	Financial Instruments (issued on July 24, 2014)	January 1, 2018	January 1, 2018	Evaluating

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

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". IFRS 15 will apply to all industries and all customer contracts for the delivery of goods or provision of services and will supersede all existing provisions governing the recognition of revenue. 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. The standard also includes further detailed guidance and extended disclosure requirements. In April 2016, the IASB issued clarifications to IFRS 15. These amendments include clarifications of a variety of requirements of IFRS 15 and simplifications with respect to the transition to the new standard. IFRS 15 must be applied for the first time for financial years beginning on or after January 1, 2018. In general IFRS 15 must be applied retrospectively, but various transition options are allowed; earlier application is permitted. IFRS 15 will have an impact on the consolidated financial statements of the Group. The extent of the effects is currently being assessed.

IFRS 9 Financial Instruments

The IASB has published the final version of IFRS 9 "Financial Instruments", bringing together the classification and measurement, impairment and hedge accounting phases of the three-part project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 supersedes all previous versions of IFRS 9. In accordance with the approach of IFRS 9, all financial assets are measured at amortized cost or fair value. The classification 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 final version amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVTOCI) category for certain debt instruments. 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. 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. Finally, extensive disclosures are required. IFRS 9 must be applied for financial years beginning on or after January 1, 2018. In general IFRS 9 must be applied retrospectively, but various transition options are allowed; earlier application is permitted. The investigation of the effects on the consolidated financial statements of the Group resulting from IFRS 9 has not yet been completed.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

Standards and interpretations issued but not yet endorsed by the EU

T_021

IFRSS ISSUED BUT NOT YET ADOPTED: STANDARD / INTERPRETATION		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
IFRS 16	Leases (issued on January 13, 2016)	January 1, 2019	Pending	Evaluating
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (issued on January 19, 2016)	January 1, 2017	Pending	No impact
Amendments to IAS 7	Disclosure Initiative (issued on January 29, 2016)	January 1, 2017	Pending	Evaluating
Clarifications to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on April 12, 2016)	January 1, 2018	Pending	Evaluating
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	January 1, 2018	Pending	No impact
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on September 12, 2016)	January 1, 2018	Pending	No impact
Annual Improvements	Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	January 1, 2017 January 1, 2018	Pending	Evaluating
IFRIC 22	Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	January 1, 2018	Pending	Evaluating
Amendments to IAS 40	Transfers of Investment Property (issued on 8 December 2016)	January 1, 2018	Pending	No impact

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

The IASB published new standards and amendments, whose application is not yet compulsory in financial year 2016 or which have not yet been endorsed by the EU. The Group is not planning an early application of these standards and amendments.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 “Leases”. IFRS 16 supersedes the previous standard for lease accounting (IAS 17) 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 in IAS 17 between finance and operating lease is eliminated from the perspective of a lessee. Apart from short-term and low-value contracts, 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 must be applied for financial years beginning on or after January 1, 2019; earlier application is permitted under certain conditions. IFRS 16 will basically make it necessary to recognize all leases in the balance sheet in future. For the financial statements of the 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. 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, these expenses will be split into depreciation and interest expenses and recognized accordingly. The extent of the effects is currently being assessed.

Amendments to IAS 7: Disclosure Initiative

Amendments to IAS 7 "Statement of Cash Flows: Disclosure Initiative" are intended to enhance the information provided on changes in liabilities for financing activities. These amendments must be applied for the first time in financial years beginning on or after January 1, 2017; earlier application is permitted. The amendments are intended to expand the disclosure of components of changes in liabilities arising from financing activities for the purpose of reconciliation. Therefore, the amendments are expected to have an impact on the disclosures of the statement of cash flows in the notes.

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.

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 (24 years), unpatented technology (6 to 10 years) and trade names (18 years).

RESEARCH AND DEVELOPMENT EXPENSES

Research cost are expensed as incurred.

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 cost to sell and its value in use. Stabilus determines the recoverable amount as value in use and compares this with the carrying amounts (including goodwill). The value in use 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 value in use cannot be determined or is lower than the carrying amount, the fair value less cost to sell 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 cost to sell 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 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 method are 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 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

On June 21, 2016, Stabilus entered into four forward exchange transactions to hedge the foreign exchange risk related to the US dollar payment of the purchase price for the acquired SKF Group entities that had to be paid on June 30, 2016. Such derivative financial instruments were settled on June 30, 2016. The effective portion of changes in fair value of cash flow hedges in the year ended June 30, 2016 amounted to €6,798 thousand and the amount reclassified as basis adjustment amounted to €(6,798) thousand. As of September 30, 2016 the Group does not have derivative financial instruments. Stabilus designated the forward exchange transactions as a hedging instrument to the US dollar purchase price, i.e. as cash flow hedge.

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, 2016 and 2015 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 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 expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

Provisions for warranties are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

4 Business combination

On June 30, 2016, Stabilus acquired 100% of voting shares of ACE, Hahn Gasfedern and Fabreeka / Tech Products from the SKF Group in an all-cash transaction. With the acquisition, Stabilus expands both its product portfolio in the industrial sector and its customer base. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of acquired entities at the date of acquisition according to IFRS 3.16 amounted to:

Business combination

T_022

IN € THOUSANDS	June 30, 2016
Assets	
Property, plant and equipment	23,117
Other intangible assets	139,908
Other assets	1,843
Deferred tax assets	1,229
Total non-current assets	**166,098**
Inventories	15,175
Trade accounts receivable	11,156
Other assets	1,422
Cash and cash equivalents	7,872
Total current assets	**35,625**
Total assets	**201,723**
Liabilities	
Financial liabilities	30
Provisions	61
Pension plans and similar obligations	2,877
Deferred tax liabilities	33,698
Total non-current liabilities	**36,666**
Trade accounts payable	3,845
Current tax liabilities	398
Provisions	2,650
Other liabilities	1,669
Total current liabilities	**8,562**
Total liabilities	**45,228**
Total identifiable net assets at fair value	**156,495**
Goodwill arising on the acquisition	146,899
Goodwill adjustment from cash flow hedge of the purchase price	6,798
Purchase consideration transferred	**310,192**

The fair value of other intangible assets as of June 30, 2016 amounting to €139.9 million essentially comprised €123.6 million for customer relationships, €11.6 million for technology, €3.6 million for trade names and €1.1 million for software. At the date of the acquisition, the fair value of the trade receivables amounted to €11.2 million. The gross amount of trade receivables was €11.4 million. The difference between the fair value and the gross amount is the result of an adjustment for counterparty risk (allowance for doubtful accounts).

The goodwill is attributable mainly to the expected sales synergies arising from the acquisition as well as to the skills and technical talent of acquired entities' workforce. A total of €40.0 million of goodwill amortization is expected to be deductible for U.S. tax purposes (U.S. Code Section 338 election) over the next 15 years.

Transaction costs of €3.9 million have been expensed and are included in administrative expenses in the Consolidated Statement of Comprehensive Income and are part of operating cash flow in the Consolidated Statement of Cash Flows.

The results of the acquired entities are recognized starting from the date of acquisition. From that date on revenue of €27.3 million has been recognized. If the acquisition had occurred on October 1, 2015, estimated consolidated revenue would have been €816.9 million, and consolidated profit for the year ended September 30, 2016, would have been €51.0 million. In determining these amounts, an assumption was made that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on October 1, 2015.

Furthermore the acquisition of a small niche business in New Zealand in July 2016 led to goodwill of €0.2 million. No material assets or liabilities have been acquired or assumed respectively.

5 Revenue

The Group’s revenue developed as follows:

Revenue by region

T _ 023

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Europe	364,195	308,474
NAFTA	288,988	229,285
Asia / Pacific and Rest of World	84,318	73,512
Revenue	**737,501**	**611,271**

Revenue by markets

T _ 024

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Automotive Gas Spring	320,030	294,400
Automotive Powerise	195,314	139,812
Automotive business	515,344	434,212
Industrial / Capital Goods	171,015	149,321
Vibration & Velocity Control	22,540	–
Swivel Chair	28,602	27,738
Industrial business	222,157	177,059
Revenue	**737,501**	**611,271**

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 Swivel Chair units supply our industrial customers. The newly acquired entity Hahn Gasfedern is part of Industrial / Capital Goods unit, while ACE and Fabreeka / Tech Products form a new business unit Vibration & Velocity Control.

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

Expenses by function

T_025

IN € THOUSANDS	Year ended Sept 30, 2016				
	Cost of sales	Research & development expenses	Selling expenses	Administrative expenses	Total
Capitalized development cost	–	12,592	–	–	**12,592**
Personnel expenses	(132,752)	(16,313)	(19,575)	(30,777)	**(199,417)**
Material expenses	(358,128)	(5,000)	(10,383)	(3,106)	**(376,617)**
Depreciation and amortization (incl. impairment losses)	(30,351)	(11,120)	(5,874)	(1,940)	**(49,285)**
Other	(26,469)	(6,749)	(19,630)	1,942	**(50,906)**
Total	**(547,700)**	**(26,590)**	**(55,462)**	**(33,881)**	**(663,633)**

IN € THOUSANDS	Year ended Sept 30, 2015				
	Cost of sales	Research & development expenses	Selling expenses	Administrative expenses	Total
Capitalized development cost	–	13,475	–	–	**13,475**
Personnel expenses	(119,966)	(14,278)	(14,869)	(29,288)	**(178,401)**
Material expenses	(299,844)	(4,384)	(9,199)	(2,479)	**(315,906)**
Depreciation and amortization (incl. impairment losses)	(27,084)	(11,280)	(3,820)	(1,629)	**(43,813)**
Other	(16,700)	(7,751)	(16,207)	6,067	**(34,591)**
Total	**(463,594)**	**(24,218)**	**(44,095)**	**(27,329)**	**(559,236)**

Selling expenses include shipping and handling cost amounting to €24,403 thousand (PY: €20,991 thousand). Other expenses exclude recharges to other functions. Administrative personnel expenses include all Koblenz second level managers, as well as all functional heads globally.

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

Personnel expenses

T_026

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Wages and salaries	(139,127)	(123,993)
Compulsory social security contributions	(34,566)	(32,637)
Pension cost	(14,931)	(15,183)
Other social benefits	(10,793)	(6,588)
Personnel expenses	**(199,417)**	**(178,401)**

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

Number of employees T_027

	Year ended Sept 30, 2016	2015
Wage earners	3,925	3,399
Salary earners	1,042	898
Trainees and apprentices	95	86
Average number of employees	**5,062**	**4,383**

7 Other income

Other income T_028

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Foreign currency translation gains	9,795	9,261
Gains on sale / disposal of assets	–	102
Income from the release of other accruals	42	43
Miscellaneous other income	2,237	1,832
Other income	**12,074**	**11,238**

8 Other expenses

Other expenses T_029

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Foreign currency translation losses	(8,422)	(6,631)
Losses on sale / disposal of tangible assets	(162)	(307)
Addition to other provisions	–	(139)
Miscellaneous other expenses	(716)	(525)
Other expenses	**(9,300)**	**(7,602)**

9 Finance income

Finance income T_030

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Interest income on loans and financial receivables not measured at fair value through profit and loss	47	90
Net foreign exchange gain	2,169	16,936
Other interest income	340	825
Finance income	**2,556**	**17,851**

10 Finance costs

Finance costs T_031

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Interest expense on financial liabilities not measured at fair value through profit and loss	(12,756)	(26,450)
Loss from changes in fair value of derivative instruments	–	(15,422)
Interest expenses finance lease	(105)	(169)
Other interest expenses	(400)	(364)
Finance costs	**(13,261)**	**(42,405)**

The interest expense on finance liabilities not measured at fair value through profit and loss include, next to interest paid, the amortization of debt issue cost amounting to €2,576 thousand using the effective interest method. Furthermore unamortized debt issue cost of €3,848 thousand relating to the repaid SFA were expensed in June 2016.

11 Income tax expense

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

Income tax expense

T_032

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Current income taxes	(29,961)	(16,920)
Deferred taxes	12,010	2,800
Income tax expense	**(17,951)**	**(14,120)**

The respective local rates have been used to calculate the deferred taxes. The current income taxes comprise prior year taxes amounting to €(16) thousand (PY: €1,589 thousand).

The actual income tax expense of €(17,951) thousand deviates in the amount of €1,830 thousand from the expected tax expense of €(19,781) 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, 2016	2015
Profit / (loss) before income tax	**65,938**	**31,117**
Expected income tax expense	**(19,781)**	**(9,335)**
Foreign tax rate differential (+/–)	2,767	1,919
Tax-free income (+)	50	(489)
Non-deductible expenses (–)	(2,251)	(12,522)
Prior year taxes (+/–)	(16)	1,589
Change of the valuation allowance on deferred tax assets (+/–)	564	6,447
Tax rate changes (+/–)	65	(58)
Other (+/–)	652	(1,670)
Actual income tax expense	**(17,951)**	**(14,120)**
Effective tax rate	**27.2%**	**45.4%**

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 tax effect of non-deductible expenses consist 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

	Sept 30, 2016			Sept 30, 2015		
IN € THOUSANDS	DTA	DTL	**Total**	DTA	DTL	Total
Intangible assets	224	(78,492)	(78,268)	111	(49,874)	(49,763)
Property, plant & equipment	2,766	(8,136)	(5,370)	2,625	(7,257)	(4,632)
Inventories	2,515	(101)	2,414	1,109	(45)	1,064
Receivables	1,476	(1,868)	(392)	471	(3,197)	(2,726)
Other assets	838	(4,701)	(3,863)	31	(300)	(269)
Provisions and liabilities	15,470	(384)	15,086	11,010	(5,881)	5,129
Tax and interest losses	17,502	–	17,502	17,150	–	17,150
Subtotal	**40,791**	**(93,682)**	**(52,891)**	**32,507**	**(66,554)**	**(34,047)**
Netting	(33,048)	33,048	–	(27,578)	27,578	–
Total	**7,743**	**(60,634)**	**(52,891)**	**4,929**	**(38,976)**	**(34,047)**

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, 2016, the Group has unused tax loss carry-forwards (including German interest loss carry-fowards) of €74,144 thousand (PY: €96,045).

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, 2016					
	Tax loss and interest carry-forward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	65,756	27.0 – 30.0%	17,724	(647)	17,076	Indefinite
Spain	5,671	28.0%	1,588	(1,588)	–	Indefinite
USA	1,143	37.0%	423	(423)	–	Within 20 years
Great Britain	321	22.0%	71	(71)	–	Indefinite
Brazil	1,253	34.0%	426	–	426	Indefinite
Total	**74,144**		**20,231**	**(2,729)**	**17,502**	

IN € THOUSANDS	Year ended Sept 30, 2015					
	Tax loss and interest carry-forward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	74,393	27.0 – 30.0%	20,149	(5,566)	14,583	Indefinite
Spain	5,611	28.0%	1,571	(1,571)	–	Indefinite
Romania	16,041	16.0%	2,567	–	2,567	Within 5 years
Total	**96,045**		**24,287**	**(7,137)**	**17,150**	

The interest carry-forward comes from our German entities and amounts to €63,598 thousand with a gross deferred tax asset of €17,076 thousand of which a deferred tax assets of €17,076 thousand was shown in the balance sheet. The unused tax loss carry-forward comprises €10,546 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.

12 Earnings per share

On July 6, 2016, Stabilus issued 3,976,744 new bearer shares. The weighted average number of shares used for the calculation of earnings per share in the fiscal years ended September 30, 2016 and 2015 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, 2014				**20,723,256**	**18,751,927**
October 1, 2014	365			20,723,256	20,723,256
September 30, 2015				**20,723,256**	**20,723,256**
October 1, 2015	279			20,723,256	15,797,236
July 6, 2016	87	Capital increase	3,976,744	24,700,000	5,871,311
September 30, 2016				**24,700,000**	**21,668,547**

The earnings per share for the fiscal years ended September 30, 2016 and 2015 were as follows:

Earnings per share

T _ 037

	Year ended Sept 30, 2016	2015
Profit / (loss) attributable to shareholders of the parent (in € thousands)	47,971	16,950
Weighted average number of shares	21,668,547	20,723,256
Earnings per share (in €)	**2.21**	**0.82**

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

13 Property, plant and equipment

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

Property, plant and equipment

T _ 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, 2014	**10,987**	**32,471**	**119,540**	**30,583**	**13,722**	**207,303**
Foreign currency difference	(61)	698	376	1,751	(152)	2,612
Additions	–	3,928	8,760	4,114	20,800	37,602
Disposals	–	(2)	(1,406)	(1,095)	–	(2,503)
Reclassifications	–	871	5,736	1,565	(8,036)	136
Balance as of Sept 30, 2015	**10,926**	**37,966**	**133,006**	**36,918**	**26,334**	**245,150**
Additions from business combination	2,662	9,887	7,726	1,872	970	23,117
Foreign currency difference	(2)	(242)	(4,364)	(295)	(353)	(5,256)
Additions	–	2,016	27,495	4,358	6,360	40,229
Disposals	–	(71)	(957)	(634)	(335)	(1,997)
Reclassifications	–	1,516	7,656	1,892	(11,064)	–
Balance as of Sept 30, 2016	**13,586**	**51,072**	**170,562**	**44,111**	**21,912**	**301,243**
Accumulated depreciation						
Balance as of Sept 30, 2014	**–**	**(7,336)**	**(61,881)**	**(17,626)**	**(819)**	**(87,662)**
Foreign currency difference	–	(442)	(1,045)	(1,379)	–	(2,866)
Depreciation expense	–	(1,908)	(14,991)	(5,724)	–	(22,623)
Disposal	–	2	1,089	998	–	2,089
Reclassifications	–	–	(23)	(113)	–	(136)
Balance as of Sept 30, 2015	**–**	**(9,684)**	**(76,851)**	**(23,844)**	**(819)**	**(111,198)**
Foreign currency difference	–	(30)	1,874	222	–	2,066
Depreciation expense	–	(3,064)	(16,284)	(6,540)	–	(25,888)
Disposal	–	53	760	533	–	1,346
Reclassifications	–	(3)	1	2	–	–
Balance as of Sept 30, 2016	**–**	**(12,728)**	**(90,500)**	**(29,627)**	**(819)**	**(133,674)**
Carrying amount						
Balance as of Sept 30, 2015	**10,926**	**28,282**	**56,155**	**13,074**	**25,515**	**133,952**
Balance as of Sept 30, 2016	**13,586**	**38,344**	**80,062**	**14,484**	**21,093**	**167,569**

Property, plant and equipment includes assets resulting from two finance lease contracts with a carrying amount of €4,133 thousand (PY: €3,312 thousand). One finance lease agreement was signed in December 2010 by Orion Rent Imobiliare S.R.L., Bucharest, prior to the Stabilus Group taking the majority of the company and relates to a real estate lease agreement for a building of our Powerise location in Romania (Brasov). The second finance lease agreement was renewed in July 2016 by Stabilus Romania S.R.L. for the extension of the gas spring plant.

The property, plant and equipment include the land and building of Stabilus in Spain, where the activity was shut down in 2011. The Company is preparing the sale of the land and building. We are currently in the process of clarifying the local administrative requirements for the sale of the land and building, e.g. necessary payment confirmations regarding local dues and environmental clearance. For this reason we do not yet consider the sale as highly probable in this phase of the process. Therefore the assets are not yet classified as assets held for sale according to IFRS 5. In fiscal year 2016, Stabilus Group has received government grants amounting to €201 thousand (PY: €805) which are linked to the installation of our third Powerise production line in Romania. For the entitlement to this grant Stabilus Romania S.R.L. has to meet certain thresholds (headcount and quantity of products) over a five year period. If such thresholds were not met, the grant would have to be paid back.

Contractual commitments for the acquisition of property, plant and equipment amount to €5,397 thousand (PY: €10,576 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	**2016**	2015
Cost of sales	(23,485)	(20,568)
Research and development expenses	(741)	(775)
Selling expenses	(374)	(311)
Administrative expenses	(1,288)	(969)
Depreciation expense	**(25,888)**	**(22,623)**

Prepayments by the Stabilus Group for property, plant and equipment and intangible assets of €746 thousand (PY: €1,080 thousand) are included in other non-current assets. Larger prepayments are typically secured by a bank guarantee or an in-depth check of the relevant supplier.

14 Goodwill

The first-time consolidation of Stable II S.à r. l., Luxembourg as of April 8, 2010, resulted in goodwill of €51.1 million and the first-time consolidation of Orion Rent Imobiliare S.R.L, Bucharest, Romania resulted in goodwill of €0.4 million. These acquisitions resulted in total goodwill of €51.5 million (PY: €51.5 million). This goodwill is allocated to the operating segments (CGUs) based on their relative fair values. As such €27.8 million have been allocated to Europe, €13.4 million to NAFTA and €10.3 million to Asia / Pacific and Rest of World (RoW).

The first-time consolidation of ACE, Hahn Gasfedern and Fabreeka / Tech Products as of June 30, 2016, resulted in goodwill of €146.9 million. This goodwill is allocated to the operating segments based on EBIT and location of the acquired entities. As such €84.6 million have been allocated to Europe, €59.9 million to NAFTA and €2.4 million to Asia / Pacific and Rest of World (RoW).

The acquisition of a small niche business in New Zealand with €0.2 million annual sales, led to a goodwill of €0.2 million. This goodwill is allocated to Asia / Pacific and Rest of World (RoW).

The foreign currency difference on goodwill is €(1.1) million.

The value in use 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 sales growth of approximately 5.0% (PY: 2.8%) for Europe, 5.2% (PY: 5.3%) for NAFTA and 18.2% (PY: 20.0%) 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 8.8% (PY: 9.1%) for Europe, 8.5% (PY: 9.1%) for NAFTA and 8.4% (PY: 8.9%) for Asia / Pacific and RoW. The pre-tax discount rates are 11.5% (PY: 12.0%) for Europe, 12.5% (PY: 13.3%) for NAFTA and 11.0% (PY: 11.7%) 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, 2016		
IN PERCENT	Input data required for carrying amount to equal recoverable amount		
	Europe	NAFTA	Asia / Pacific and RoW
Base interest rate	15.0	18.7	15.3
Budgeted gross margin reduction to plan	10.0	11.0	11.1
Sustainable growth rate after 5-year period	(36.1)	(72.7)	(58.7)

15 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 construction	Software	Patents	Customer relation-ship	Tech-nology	Trade name	Total
Gross value								
Balance as of Sept 30, 2014	**68,897**	**21,229**	**4,902**	**1,315**	**83,683**	**58,132**	**13,246**	**251,404**
Foreign currency difference	937	874	(197)	8	–	–	–	1,622
Additions	3,675	10,582	1,105	3	–	–	–	15,365
Disposals	(11,134)	–	(132)	(8)	–	–	–	(11,274)
Reclassifications	5,453	(6,745)	1,372	(80)	–	–	–	–
Balance as of Sept 30, 2015	**67,828**	**25,940**	**7,050**	**1,238**	**83,683**	**58,132**	**13,246**	**257,117**
Additions from business combination	–	–	1,099	–	123,568	11,625	3,616	139,908
Foreign currency difference	(62)	35	2	(24)	(802)	(103)	(23)	(977)
Additions	3,463	9,428	865	27	–	–	–	13,783
Disposals	(57)	–	(236)	–	–	–	–	(293)
Reclassifications	12,727	(12,911)	105	79	–	–	–	–
Balance as of Sept 30, 2016	**83,899**	**22,492**	**8,885**	**1,320**	**206,449**	**69,654**	**16,839**	**409,538**
Accumulated amortization								
Balance as of Sept 30, 2014	**(31,894)**	**–**	**(3,815)**	**(1,070)**	**(15,691)**	**(24,652)**	**(3,311)**	**(80,433)**
Foreign currency difference	(437)	–	130	71	1	–	–	(235)
Amortization expense	(9,648)	–	(964)	(83)	(3,487)	(5,478)	(736)	(20,396)
Impairment loss	(794)	–	–	–	–	–	–	(794)
Disposals	11,080	–	132	4	–	–	–	11,216
Balance as of Sept 30, 2015	**(31,693)**	**–**	**(4,517)**	**(1,078)**	**(19,177)**	**(30,130)**	**(4,047)**	**(90,642)**
Foreign currency difference	43	–	(4)	24	14	1	–	78
Amortization expense	(9,472)	–	(1,321)	(48)	(5,335)	(5,616)	(865)	(22,657)
Impairment loss	(741)	–	–	–	–	–	–	(741)
Disposals	5	–	234	–	–	–	–	239
Reclassifications	–	–	(23)	23	–	–	–	–
Balance as of Sept 30, 2016	**(41,858)**	**–**	**(5,631)**	**(1,079)**	**(24,498)**	**(35,745)**	**(4,912)**	**(113,723)**
Carrying amount								
Balance as of Sept 30, 2015	**36,135**	**25,940**	**2,533**	**160**	**64,506**	**28,002**	**9,199**	**166,475**
Balance as of Sept 30, 2016	**42,041**	**22,492**	**3,254**	**241**	**181,951**	**33,909**	**11,927**	**295,815**

During the fiscal year, costs of €12,891 thousand (PY: €14,257 thousand) were capitalized for development projects that were incurred in the product and material development areas. Systematic amortization of capitalized internal development projects amounted to €9,472 thousand (PY: €9,648 thousand). The borrowing costs capitalized during the period amounted to €299 thousand (PY: €782 thousand). A capitalization rate of 2% (PY: 7.75%) was used to determine the amount of borrowing costs.

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, 2016	2015
Cost of sales	(6,867)	(6,515)
Research and development expenses	(10,379)	(10,506)
Selling expenses	(5,500)	(3,509)
Administrative expenses	(652)	(660)
Amortization expense (incl. impairment loss)	**(23,398)**	**(21,190)**

Amortization expenses on development costs include impairment losses of €741 thousand (PY: €794 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 €3,214 thousand (PY: €873 thousand).

16 Other financial assets

Other financial assets T_043

	Sept 30, 2016			Sept 30, 2015		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Other miscellaneous	3,160	–	3,160	7,899	–	7,899
Other financial assets	**3,160**	**–**	**3,160**	**7,899**	**–**	**7,899**

OTHER MISCELLANEOUS

Other miscellaneous financial assets as of September 30, 2016 mainly comprise assets related to the sale of trade accounts receivable (€23.3 million (PY: €25.6 million)) amounting to €3,160 thousand (Sept 30, 2015: €3,404 thousand) and receivables from a warranty insurance company amounting to €0 thousand (Sept 30, 2015: €3,766 thousand).

17 Other assets

Other assets

T_044

IN € THOUSANDS	Sept 30, 2016 Current	Sept 30, 2016 Non-current	Sept 30, 2016 Total	Sept 30, 2015 Current	Sept 30, 2015 Non-current	Sept 30, 2015 Total
VAT	5,698	–	5,698	4,239	–	4,239
Prepayments	2,925	746	3,671	1,005	1,080	2,085
Deferred charges	3,178	–	3,178	2,881	–	2,881
Other miscellaneous	2,122	2,521	4,643	1,968	784	2,752
Other assets	**13,923**	**3,267**	**17,190**	**10,093**	**1,864**	**11,957**

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

18 Inventories

Inventories

T_045

IN € THOUSANDS	Sept 30, 2016	Sept 30, 2015
Raw materials and supplies	38,076	30,969
Finished products	17,103	12,151
Work in progress	12,616	10,121
Merchandise	6,886	6,542
Inventories	**74,681**	**59,783**

Inventories that are expected to be turned over within twelve months amounted to €74,681 thousand (PY: €59,783 thousand). Write-downs on inventories to net realizable value amounted to €6,545 thousand (PY: €5,376 thousand). In the reporting period raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to €358,128 thousand (PY: €299,844 thousand).

The Stabilus Group's prepayments for inventories amounting to €1,457 thousand (PY: €873 thousand) are included in prepayments in other current assets.

19 Trade accounts receivable

Trade accounts receivable include the following items:

Trade accounts receivable T_046

IN € THOUSANDS	Sept 30, 2016	Sept 30, 2015
Trade accounts receivable	99,827	65,044
Allowance for doubtful accounts	(2,227)	(2,196)
Trade accounts receivable	**97,600**	**62,848**

Trade accounts receivable increased in the fiscal year ended September 30, 2016 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, 2016	Sept 30, 2015
Allowance for doubtful accounts as of beginning of fiscal year	**(2,196)**	**(1,571)**
Additions from business combination	(170)	-
Foreign currency differences	(35)	(24)
Increase in the allowance	(211)	(606)
Decrease in the allowance	385	5
Allowance for doubtful accounts as of fiscal year-end	**(2,227)**	**(2,196)**

20 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.

21 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks, i.e. liquid funds and demand deposits. As of September 30, 2016, it amounted to €75,037 thousand (PY: €39,473 thousand). Cash in banks earned marginal interest at floating rates based on daily bank deposit rates.

22 Equity

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

On July 5, 2016, the Management Board of Stabilus S.A., with the approval of the Supervisory Board, resolved to utilize some of its existing authorized capital and to increase the share capital from €207,232.56 by €39,767.44 to €247,000.00 via issuance of 3,976,744 new bearer shares which will bear full dividend rights for the fiscal year 2016. Following the issuance of new shares, the total number of shares amounts to 24.7 million and the number of authorized shares amounts 31.5 million.

On July 6, 2016, the capital increase was successfully completed: Stabilus issued 3,976,744 new bearer shares and placed these shares with institutional investors. On July 7, 2016, the new shares were admitted for trading and included in the current listing in the Prime Standard segment of the Frankfurt Stock Exchange.

Issued capital

Issued capital as of September 30, 2016 amounted to €247 thousand (September 30, 2015 €207 thousand) and was fully paid in. It is divided into 24,700,000 shares each with a nominal value of €0.01 each. 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 each.

Capital reserves

Capital reserves as of September 30, 2016 amounted to €225,848 thousand (September 30, 2015: €73,091 thousand). The increase is due to the premiums received for the issuance of shares in July 2016 amounting to €159,030 thousand less transaction costs of €6,273 thousand.

Retained earnings

Retained earnings as of September 30, 2016 amounted to €72,535 thousand (September 30, 2015: €24,871 thousand) and included the Group's net result in the fiscal year 2016 amounting to €47,971 thousand.

Dividends

In the second quarter of fiscal 2016, a dividend amounting to €78 thousand (September 30, 2015: €56 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 €0.50 per share to the Annual General Meeting to be held in Luxembourg on February 15, 2017. The total dividend will thus amount to €12.35 million (PY: –) and the distribution ratio will be 25.7% 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, 2016.

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	Unrealised actuarial gains and losses	Cash flow hedges [1]	Total
Balance as of Sept 30, 2014	**3,623**	**(8,751)**	**–**	**(5,129)**
Before tax	(16,390)	50	–	(16,340)
Tax (expense) benefit	–	(16)	–	(16)
Net of tax	(16,390)	34	–	(16,356)
Non-controlling interest	–	–	–	–
Balance as of Sept 30, 2015	**(12,767)**	**(8,717)**	**–**	**(21,484)**
Before tax	(8,858)	(7,841)	–	(16,699)
Tax (expense) benefit	–	2,351	–	2,351
Net of tax	(8,858)	(5,490)	–	(14,348)
Non-controlling interest	–	–	–	–
Balance as of Sept 30, 2016	**(21,625)**	**(14,207)**	**–**	**(35,832)**

[1] See also consolidated statement of comprehensive income above

Cash flow hedges in the table above, with a net amount of zero, relate to four forward exchange transactions the Company entered into on June 21, 2016 to hedge the foreign exchange risk related to the US dollar purchase price for the acquired SKF Group entities that had to be paid on June 30, 2016. Stabilus designated the forward exchange transactions as a hedging instrument to the US dollar purchase price, i.e. as a cash flow hedge. The effective portion of changes in fair value of cash flow hedges in the year ended September 30, 2016 amounted to €6,798 thousand and the amount reclassified as basis adjustment amounted to €(6,798) thousand. See also Consolidated Statement of Comprehensive Income and further details regarding accounting treatment of cash flow hedges in Note 2 above.

23 Financial liabilities

The financial liabilities comprise following items:

Financial liabilities

T _ 049

IN € THOUSANDS	Sept 30, 2016 Current	Sept 30, 2016 Non-current	Sept 30, 2016 Total	Sept 30, 2015 Current	Sept 30, 2015 Non-current	Sept 30, 2015 Total
Senior facility	5,000	396,095	401,095	5,000	258,644	263,644
Financial liabilities	**5,000**	**396,095**	**401,095**	**5,000**	**258,644**	**263,644**

On June 7, 2016, Stabilus entered into a new €640 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 million, an equity bridge facility of €115 million and a revolving credit facility of €70 million. The term loan facility and the revolving credit facility mature on June 30, 2021. The duration of the senior facilities (other than the equity bridge facility) can be extended by an additional year, at the Company's request until June 30, 2017, and by a second year, at the Company's request until June 30, 2018.

The term loan facility is to be repaid in semi-annual installments (payable on March 31 and September 30) equal to €2.5 million for each repayment date falling on or after the date which is six months after the closing date but before the date which is 18 months after the closing date and €5.0 million thereafter until termination date on June 30, 2021 on which the remaining facility has to be repaid in full.

The equity bridge facility of €115 million was drawn on June 29, 2016 and repaid on July 12, 2016 using the proceeds of the equity issue.

On August 31, 2016 Stabilus repaid €50 million of the term loan facility and reduced the outstanding nominal amount from €455 million to €405 million.

The Group's liability under the senior facility agreement (the remaining €405 million term loan senior facility) is measured at amortized cost under consideration of transaction costs.

As of September 30, 2016, the Group had no liability under the committed €70 million revolving credit facility. The Group utilized €3.8 million out of the €70 million revolving credit facility to secure existing guarantees.

24 Other financial liabilities

Other financial liabilities

T_050

IN € THOUSANDS	Sept 30, 2016 Current	Sept 30, 2016 Non-current	Sept 30, 2016 Total	Sept 30, 2015 Current	Sept 30, 2015 Non-current	Sept 30, 2015 Total
Liabilities to employees	6,648	–	6,648	5,787	–	5,787
Social security contribution	2,440	–	2,440	1,844	–	1,844
Finance lease obligation	311	2,314	2,625	347	2,139	2,486
Other financial liabilities	**9,399**	**2,314**	**11,713**	**7,978**	**2,139**	**10,117**

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

25 Provisions

Provisions

T_051

IN € THOUSANDS	Sept 30, 2016 Current	Sept 30, 2016 Non-current	Sept 30, 2016 Total	Sept 30, 2015 Current	Sept 30, 2015 Non-current	Sept 30, 2015 Total
Anniversary benefits	–	61	61	13	–	13
Early retirement contracts	36	2,599	2,635	659	860	1,519
Employee-related costs	11,050	–	11,050	9,082	–	9,082
Environmental protection	415	990	1,405	376	–	376
Other risks	1,521	–	1,521	1,035	–	1,035
Legal and litigation costs	115	–	115	90	–	90
Warranties	12,227	–	12,227	7,938	–	7,938
Other miscellaneous	5,534	131	5,665	935	172	1,107
Provisions	**30,898**	**3,781**	**34,679**	**20,128**	**1,032**	**21,160**

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, 2014	**295**	**3,372**	**–**	**393**	**4,060**
Reclassifications	(13)	(659)	–	(262)	(934)
Foreign currency differences	–	–	–	18	18
Costs paid	(208)	(1,711)	–	–	(1,919)
Release to income	(74)	(142)	–	–	(216)
Additions	–	–	–	23	23
Balance as of Sept 30, 2015	**–**	**860**	**–**	**172**	**1,032**
Additions from business combination	61	–	–	–	61
Reclassifications	–	–	–	–	–
Foreign currency differences	–	–	–	–	–
Costs paid	–	–	–	(41)	(41)
Release to income	–	–	–	–	–
Additions	–	1,739	990	–	2,729
Balance as of Sept 30, 2016	**61**	**2,599**	**990**	**131**	**3,781**

The discount rate used for the calculation of non-current provisions as of September 30, 2016 was 0.0% (PY: 0.9%).

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 protection measures	Other risks	Legal and litigation costs	Anniver-sary benefits	Early retirement	Warranties	Other miscella-neous	Total
Balance as of Sept 30, 2014	**3,575**	**730**	**578**	**135**	**–**	**–**	**2,338**	**1,195**	**8,551**
Foreign currency differences	(467)	308	–	(45)	–	–	(311)	(551)	(1,066)
Reclassifications	–	–	–	–	13	659	262	–	934
Costs paid	(2,668)	(662)	(75)	–	–	–	(1,395)	95	(4,705)
Release to income	(128)	–	(349)	–	–	–	(99)	(98)	(674)
Additions	8,770	–	881	–	–	–	7,143	294	17,088
Balance as of Sept 30, 2015	**9,082**	**376**	**1,035**	**90**	**13**	**659**	**7,938**	**935**	**20,128**
Additions from business combination	1,178	–	176	–	–	–	86	1,210	2,650
Foreign currency differences	(808)	–	(2)	25	–	–	(1,132)	(131)	(2,048)
Reclassifications	–	–	–	–	–	–	–	–	–
Costs paid	(9,038)	–	(669)	–	(13)	(623)	(5,253)	(2,076)	(17,672)
Release to income	(133)	–	(19)	–	–	–	–	(10)	(162)
Additions	10,769	39	1,000	–	–	–	10,588	6,106	28,502
Balance as of Sept 30, 2016	**11,050**	**415**	**1,521**	**115**	**–**	**36**	**12,227**	**5,534**	**30,898**

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, 2016. For the corresponding ongoing long-term bioremediation a current provision of €415 thousand (PY €376 thousand) and a non-current provision of €990 thousand (PY € –) has been recorded as of September 30, 2016.

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

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

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

26 Pension plans and similar obligations

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

Pension plans and similar obligations T_054

IN € THOUSANDS	Sept 30, 2016	Sept 30, 2015
Principal pension plan	57,422	47,505
Deferred compensation	1,316	484
Pension plans and similar obligations	**58,738**	**47,989**

DEFINED BENEFIT PLANS AND DEFERRED COMPENSATION

Defined benefit plan

The Stabilus Group granted post-employment pension benefits to employees in Germany who joined the Group prior to January 1, 2006. The level of post-employment benefits is generally based on eligible compensation levels and/or ranking within the Group hierarchy and years of service. As of December 21, 2010, in order to free the Group of future liquidity risks, the Group's pension policies in Germany were amended 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.

Furthermore post-employment pension benefits have been granted by a company acquired in the June 2016 business combination. This plan is generally based on eligible compensation levels and years of service. Liabilities for principal pension plans amounting to €57,422 thousand (PY: €47,505 thousand) result from unfunded accumulated benefit obligations. This includes additions from business combinations (€2,165 thousand).

The weighted average duration of the defined benefit obligations in the fiscal year 2016 is 16.4 years (PY: 16.4 years).

Deferred compensation

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

The total deferred compensation as of September 30, 2016 amounts to €1,316 thousand (PY: €484 thousand). The increase is mainly due to additions from business combinations amounting to € 812 thousand.

The unfunded status is as follows:

Unfunded status

T_055

IN € THOUSANDS	Sept 30, 2016	Sept 30, 2015
Present value of unfunded defined benefit obligations	58,738	47,989
Less: Fair value of plan assets	(812)	–
Unfunded status	**57,926**	**47,989**

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

Present value of defined benefit obligations

T_056

	Year ended Sept 30,	
IN € THOUSANDS	2016	2015
Present value of defined benefit obligations as of beginning of fiscal year	**47,989**	**48,353**
Value of defined benefit obligations from business combinations	**2,877**	**–**
Service cost	68	42
Interest cost	1,133	1,141
Financial assumptions	8,932	155
Experience assumptions	(1,055)	(205)
Actuarial (gains) / losses	7,877	(50)
Pension benefits paid	(1,206)	(1,497)
Present value of defined benefit obligations as of fiscal year-end	**58,738**	**47,989**

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

	Year ended Sept 30,	
IN € THOUSANDS	2016	2015
Service cost	68	42
Interest cost	1,133	1,141
Pension cost for defined benefit plans	**1,201**	**1,183**

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
Sept 30, 2012	38,066	(308)
Sept 30, 2013	39,123	(213)
Sept 30, 2014	48,353	914
Sept 30, 2015	47,989	(205)
Sept 30, 2016	58,738	(1,055)

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, salary 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

IN % P. A.	Sept 30, 2016	Sept 30, 2015
Discount rate	1.35%	2.38%
Inflation	0.00%	1.50%
Salary increases	0.00%	0.00%
Pension increases	1.50%	1.50%
Turnover rate	4.00%	4.00%

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

SENSITIVITY ANALYSIS

If the discount rate were to differ by + 0.5% / – 0.5% from the interest rate used at the balance sheet date, the defined benefit obligation for pension benefits would be an estimated €5,176 thousand lower or €5,162 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 €1,180 thousand higher or €1,841 thousand lower. The reduction / increase of the mortality rates by 2 years results in an increase / deduction of life expectancy depending on the individual age of each beneficiary. The effects on the defined benefit obligation (the "DBO") as of September 30, 2016 due to a 2 year reduction / increase of the life expectancy would result in a decrease of €2,778 thousand or an increase of €2,029 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 2017 will amount to €2,018 thousand (PY: €1,858 thousand).

DEFINED CONTRIBUTION PLANS

The expenses incurred under defined contribution plans are primarily related to government-run pension plans. Expenses for these plans in the reporting period amounted to €13,263 thousand (PY: €12,504 thousand).

27 Trade accounts payable

Trade accounts payable amount to €80,389 thousand (PY: €68,929 thousand) as of the end of the fiscal year. The full amount is due within one year. The liabilities are measured at amortized cost. For information on liquidity and exchange rate risks for trade accounts payable, please see Note 33.

28 Current tax liabilities

The current tax liabilities relate to income and trade taxes.

29 Other liabilities

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

Other liabilities

T _ 060

IN € THOUSANDS	Sept 30, 2016 Current	Sept 30, 2016 Non-current	Sept 30, 2016 Total	Sept 30, 2015 Current	Sept 30, 2015 Non-current	Sept 30, 2015 Total
Advanced payments received	1,353	879	2,232	1,267	576	1,843
Vacation expenses	3,329	–	3,329	2,269	–	2,269
Other personnel-related expenses	6,964	–	6,964	5,515	–	5,515
Outstanding costs	3,619	–	3,619	1,891	–	1,891
Miscellaneous	224	–	224	157	–	157
Other liabilities	**15,489**	**879**	**16,368**	**11,099**	**576**	**11,675**

30 Leasing

OPERATING LEASE

The Group entered into non-cancellable operating leases for IT hardware, cars and other machinery and equipment with lease terms of 2 to 6 years. The 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

IN € THOUSANDS	Minimum lease payments in year ended Sept 30, 2016	2015
Within one year	5,702	5,050
After one year but not more than five years	17,988	16,782
More than five years	95	814
Total	**23,785**	**22,646**

The increase in total minimum lease payments in the next four years is primarily due to the expansion of the rented production facilities in China. Current period expense for operating leases amounts to €7,387 thousand (PY: €6,159 thousand).

FINANCE LEASE

Finance lease

T _ 062

IN € THOUSANDS	Sept 30, 2016 Minimum lease payments (MLP)	Sept 30, 2016 Present value of MLP	Sept 30, 2015 Minimum lease payments (MLP)	Sept 30, 2015 Present value of MLP
Within one year	628	601	542	519
After one year but not later than five years	2,763	2,223	1,214	1,000
More than five years	942	733	1,147	909
Total	**4,333**	**3,557**	**2,903**	**2,428**

As of September 30, 2016, there are two real estate lease contracts regarding a production facility in Romania recorded as finance lease.

Production facility:

Orion Rent Imobiliare S.R.L, Brasov, entered into a non-cancellable real estate finance lease agreement on December 31, 2010 (prior to Stabilus Group taking over a controlling interest in this company) with a term of 144 months prior to the Stabilus Group becoming a controlling shareholder of Orion Rent Imobiliare S.R.L. The agreement contains a purchase option starting at the end of the third year of the contract, for a purchase price amounting to the capital that remains to be paid up to the expiry of the contract less early payment fee (between 2.75% and 4.75% of the remaining capital to be paid). The net carrying amount at the balance sheet date is €916 thousand (PY: €1,037 thousand). The lease term started on January 1, 2011. The leasing fees are settled in euro, but payable in new Romanian lei. They include a variable component of the total funding cost with 3-month Euribor as the reference basis.

Stabilus Romania S.R.L. entered into a real estate lease agreement which was classified as 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: 2.0%). The net carrying amount at the balance sheet date was €1,709 thousand (PY: €2,275 thousand). The contract has a duration of 75 months and can be extended. The payments for finance leases in the fiscal year ended September 30, 2016 amounted to €471 thousand (PY: €1,841 thousand). No contingent rents have been recognized as an expense during the period.

31 Contingent liabilities and other financial commitments

CONTINGENT LIABILITIES

Contingent liabilities are 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 25.

GUARANTEES

On October 11, 2005, Stabilus Romania S.R.L., Brasov, ("STRO") entered into a rental agreement with ICCO SRL (ICCO) for a production facility 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 to support production space, requirements for the transfer of certain production steps to Romania. 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, 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, 2016 amounted to €32,396 thousand (PY: €34,095 thousand).

Nominal values of other financial commitments are as follows:

Financial commitments

T _ 063

IN € THOUSANDS	Sept 30, 2016			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed and other intangible assets	8,611	–	–	8,611
Obligations under rental and leasing agreements	5,702	17,988	95	23,785
Total	**14,313**	**17,988**	**95**	**32,396**

IN € THOUSANDS	Sept 30, 2015			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed and other intangible assets	11,449	–	–	11,449
Obligations under rental and leasing agreements	5,050	16,782	814	22,646
Total	**16,499**	**16,782**	**814**	**34,095**

32 Financial instruments

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

Financial instruments

T _ 064

IN € THOUSANDS	Measurement category acc. to IAS 39	Sept 30, 2016		Sept 30, 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Trade accounts receivables	LaR	97,600	97,600	62,848	62,848
Cash	LaR	75,037	75,037	39,473	39,473
Other financial assets	LaR	3,160	3,160	7,899	7,899
Total financial assets		**175,797**	**175,797**	**110,220**	**110,220**
Financial liabilities	FLAC	401,095	376,191	263,644	261,277
Trade accounts payable	FLAC	80,389	80,389	68,929	68,929
Finance lease liabilities	–	2,625	3,557	2,486	2,428
Total financial liabilities		**484,109**	**460,137**	**335,059**	**332,634**
Aggregated according to categories in IAS 39:					
Loans and receivables (LaR)		175,797	175,797	110,220	110,220
Financial liabilities measured at amortized cost (FLAC)		481,484	456,580	332,573	330,206

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, 2016				Sept 30, 2015			
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	376,191	–	376,191	–	261,277	–	261,277	–
Finance lease liabilities	3,557	–	–	3,557	2,428	–	–	2,428

[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, which range from 7.5% to 10.1%, 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) are not exposed to interest risk through fluctuation.

The net gains and losses on financial instruments result in the fiscal year ended September 30, 2016 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 9 and 10. The net foreign exchange gain amounted to €2,169 thousand (PY: €16,936 thousand).

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

The value of the embedded derivatives was effected 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.

33 Risk reporting

INTERNAL RISK MANAGEMENT

The Group employs within the budgeting process an integrated system for the early identification and monitoring of risks specific to the Group, in order to identify changes in the business environment and deviations from targets at an early stage and to initiate countermeasures in advance. This includes monthly short and medium-term analysis of the order intake and 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, 2016.

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 risk included in financial assets

T_066

IN € THOUSANDS	Sept 30, 2016						
	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 360 days	> 360 days	Total
Financial assets							
Trade accounts receivable	88,026	7,016	958	598	404	598	97,600
Other financial assets	3,160	–	–	–	–	–	3,160
Total	**91,186**	**7,016**	**958**	**598**	**404**	**598**	**100,760**

IN € THOUSANDS	Sept 30, 2015						
	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 360 days	> 360 days	Total
Financial assets							
Trade accounts receivable	53,872	6,075	1,002	414	1,280	206	62,848
Other financial assets	7,899	–	–	–	–	–	7,899
Total	**61,771**	**6,075**	**1,002**	**414**	**1,280**	**206**	**70,747**

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.

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, 2016 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 23.

Liquidity outflows for liabilities

T_067

IN € THOUSANDS	Senior facility	Finance lease	Trade accounts payable	Total
2017	14,084	628	80,389	95,101
2018	18,944	627	–	19,571
2019	18,719	626	–	19,345
2020	18,494	629	–	19,123
2021	376,216	881	–	377,097
after 2021	–	942	–	942
Total	**446,456**	**4,333**	**80,389**	**531,178**

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: €50.0 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, 2016, 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 €0.4 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.

An 1% increase of floating interest rates (Euribor) would lead to an increase of financial expense of approximately €4.0 million. As the Euribor is below 0% as of September 30, 2016 a decrease has no effect on financial expenses.

34 Capital management

The Stabilus Group's capital management covers both equity and liabilities. A further objective is to maintain a balanced mix of debt and equity.

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, 2016 is calculated as follows:

Equity ratio

T_068

	Year ended Sept 30,	
IN € THOUSANDS	2016	2015
Equity	262,892	76,709
Total assets	937,412	542,239
Equity ratio	28.0%	14.1%

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.

35 Notes to the consolidated statement of cash flows

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

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

Interest payments of €6,984 thousand (PY: €32,237 thousand) are reflected in cash outflows from financing activities. Income tax payments of €13,599 thousand (PY: €17,274 thousand) are recognized in cash flows from operating activities.

36 Segment reporting

The Stabilus Group is organized and managed primarily on a regional level. The three reportable operating segments of the Group are Europe, NAFTA and Asia / Pacific including RoW. The product portfolio is largely similar in these three regional segments.

The Group measures the performance of its operating segments through a measure of segment profit or loss (key performance indicator) which is referred to as "adjusted EBIT". Adjusted EBIT represents EBIT (i.e. earnings before interest and taxes), as adjusted by management primarily in relation to severance, consulting, restructuring and other non-recurring costs, expenses for one-time legal disputes, interest on pension changes as well as depreciation and amortization of fair value adjustments resulting from purchase price allocations (PPA).

Segment information for the fiscal years ended September 30, 2016 and 2015 is as follows:

Segment reporting

T_069

IN € THOUSANDS	Europe		NAFTA		Asia / Pacific and RoW	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
	2016	2015	**2016**	2015	**2016**	2015
External revenue[1]	364,195	308,474	288,988	229,285	84,318	73,512
Intersegment revenue[1]	28,038	28,293	9,556	4,649	758	393
Total revenue[1]	392,233	336,767	298,544	233,934	85,076	73,905
Depreciation and amortization (incl. impairment losses)	(24,384)	(21,409)	(7,877)	(6,509)	(4,346)	(3,217)
EBIT	46,026	33,987	32,066	24,619	11,230	9,743
Adjusted EBIT	54,050	41,075	33,423	25,099	11,318	10,018

IN € THOUSANDS	Total segments		Other / Consolidation		Stabilus Group	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
	2016	2015	**2016**	2015	**2016**	2015
External revenue[1]	737,501	611,271	–	–	737,501	611,271
Intersegment revenue[1]	38,352	33,335	(38,352)	(33,335)	–	–
Total revenue[1]	775,853	644,606	(38,352)	(33,335)	737,501	611,271
Depreciation and amortization (incl. impairment losses)	(36,607)	(31,135)	(12,678)	(12,678)	(49,286)	(43,813)
EBIT	89,322	68,349	(12,678)	(12,678)	76,644	55,671
Adjusted EBIT	98,791	76,192	–	–	98,791	76,192

[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, 2016 includes an impairment loss of €(741) thousand (PY: €(794) 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 _ 070

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Total segments' profit (adjusted EBIT)	**98,791**	**76,192**
Other / consolidation	–	–
Group adjusted EBIT	**98,791**	**76,192**
Adjustments to EBIT	(22,147)	(20,521)
Profit from operating activities (EBIT)	**76,644**	**55,671**
Finance income	2,556	17,851
Finance costs	(13,261)	(42,405)
Profit / (loss) before income tax	**65,938**	**31,117**

The adjustments to EBIT include refinancing, capital increase, pension interest, depreciation and amortization of PPA as well as launch / startup and reorganization-related advisory expenses (only in fiscal year 2015).

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

Geographical information: Revenue by country

T_071

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Germany	262,546	236,551
Romania	100,508	71,923
UK	1,141	–
Europe	**364,195**	**308,474**
Mexico	169,985	134,123
USA	119,003	95,162
NAFTA	**288,988**	**229,285**
China	53,741	42,800
South Korea	11,751	12,041
Brazil	5,181	6,513
Australia	6,760	5,729
Japan	5,273	4,744
New Zealand	1,612	1,685
Asia / Pacific and rest of world	**84,318**	**73,512**
Revenue	**737,501**	**611,271**

Geographical information: Non-current assets by country

T_072

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Germany	246,838	160,251
Romania	24,269	21,357
Spain	2,542	3,470
Luxembourg	720	821
UK	6,827	85
Switzerland	79	78
France	6	7
Goodwill	112,081	27,787
Europe	**393,362**	**213,856**
USA	106,238	44,086
Mexico	25,188	26,562
Goodwill	72,572	13,379
NAFTA	**203,998**	**84,027**
China	37,888	30,277
South Korea	10,373	10,043
Brazil	1,961	2,065
Australia	1,005	1,054
Japan	1,484	503
New Zealand	462	275
Goodwill	12,804	10,292
Asia / Pacific and RoW	**65,977**	**54,509**
Total	**663,337**	**352,392**

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

In fiscal year 2016, the Group had three customers which accounted for at least 10% of total external revenue. The revenue with these customers was €82,069 thousand (PY: €62,672 thousand), €81,559 thousand (PY: €68,036 thousand) and €78,344 thousand (PY: €71,952 thousand), respectively. In fiscal year 2016 and 2015 such revenue was generated in all three operatings segments.

37 Share-based payment

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 time frame fiscal year ending September 30, 2015 until September 30, 2017. Participation in the matching stock program requires Management Board members to invest in shares of the Company. The investment generally has 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 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 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 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, 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 fictitious options. The generally limited net amount resulting from the calculated gross amount is paid out to the Management Board members. Alternatively, the Company may decide to buy shares in an amount equaling the net amount in order to settle the 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. 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, 2016.

Input parameter for fair value measurement of MSP

T_073

VALUATION DATE	Sept 30, 2016	Sept 30, 2015
MSP B (2014)		
Fair value	€8.72	€8.78
Share price	€50.10	€32.25
Expected annual volatility		31.0%
Expected annual dividend yield	1.00%	1.50%
Expected remaining duration (timing of exercise)	2.0 years	3.0 years
Risk-free annual interest rate	(0.72)%	(0.20)%
Exercise price	€24.82	€24.82
MSP A/B (2015)		
Fair value	€7.83	–
Share price	€50.10	–
Expected annual volatility	33.0%	–
Expected annual dividend yield	1.00%	–
Expected remaining duration (timing of exercise)	3.0 years	–
Risk-free annual interest rate	0.72%	–
Exercise price	€31.08	–

In the fiscal year 2016 options for the MSP A and B were issued.

Number of share options

T_074

	MSP B (2014)		MSP A/B (2015)	
	Number of options	Exercise price	Number of options	Exercise price
Outstanding as at October 01, 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 01, 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	–	–	–	–

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

Phantom Stock Program options

T_075

	Phantom Stock Program 2014/15		Phantom Stock Program 2015/16	
	Number of options	Exercise price	Number of options	Exercise price
Outstanding as at October 01, 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 01, 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	–	–	–	–

Phantom Stock Program options T_076

VALUATION DATE	Sept 30, 2016	Sept 30, 2015
Phantom Stock Program 2014/15		
Fair value	€49.27	€32.25
Share price	€50.10	€32.25
Expected annual dividend yield	1.00%	–
Exercise price	–	–
Phantom Stock Program 2015/16		
Fair value	€48.78	€32.25
Price of the Stabilus share	€50.10	€32.25
Expected annual dividend yield	1.00%	–
Exercise price	–	–

EXPENSE RECOGNIZED IN PROFIT OR LOSS

An amount of €200 thousand has been recognized in the related employee benefit expenses and an amount of €330 thousand in provisions for employee-related expenses.

38 Auditor's fees

Auditor's fees T_077

	Year ended Sept 30,	
IN € THOUSANDS (EXCLUDING VAT)	2016	2015
Audit fees	920	612
Audit-related fees	732	161
Tax fees	–	–
Other fees	–	–
Total	**1,652**	**772**

For fiscal year ended September 30, 2016, a global fee (excluding VAT) of €800 thousand (PY: €612 thousand) was agreed with the group auditors for the audit of the consolidated and annual financial statements of the Stabilus entities and an additional €120 thousand for the audit of the purchase price allocation. These fees are included in the Group's administrative expenses.

In addition, KPMG Luxembourg Société coopérative, Luxembourg, and other member firms of the KPMG network, billed the Group audit-related fees amounting to, excluding VAT, €732 thousand (PY: €161 thousand).

39 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.

40 Remuneration of key management personnel

The key management personnel are the members of the Management Board Dietmar Siemssen (CEO), Mark Wilhelms (CFO), Andreas Schröder (Director Group Financial Reporting) and Andreas Sievers (Director Group Accounting and Strategic Finance Projects) as well as Bernd-Dietrich Bockamp (Director – until December 2015). In the prior year figures former key management personnel Hans-Josef Hosan (CTO until May 2015) and Ansgar Krötz (COO – until September 2015) were included.

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 €1,975 thousand (PY: €5,810 thousand), thereof €1,865 thousand (PY: €1,718 thousand) is classified as short-term employee benefits, €0 thousand (PY: €73 thousand) is classified as post-employment benefits, €0 thousand (PY: €3,975 thousand) is classified as termination benefits and €111 thousand (PY: €43 thousand) classified as share-based payments.

The compensation of the Management Board members for fiscal year 2016 was split in a fixed compensation of €959 thousand (PY: €976 thousand) and a variable compensation of €906 thousand (PY: €743 thousand).

The total remuneration to the members of the Supervisory Board amounts to €365 thousand (PY: €351 thousand).

Members of the Management and Supervisory Board have direct interest in Stabilus S.A. of about jointly 0.7% of the total shares.

41 Subsequent events

As of December 13, 2016, 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, 2016.

Luxembourg, December 13, 2016

Stabilus S.A.
Management Board

RESPONSIBILITY STATEMENT

We, Dietmar Siemssen (Chief Executive Officer), Mark Wilhelms (Chief Financial Officer), Andreas Schröder (Group Financial Reporting Director) and Andreas Sievers (Director Group Accounting and Strategic Finance Projects), confirm, to the best of our knowledge, that the 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 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 13, 2016

Dietmar Siemssen   Mark Wilhelms   Andreas Schröder   Andreas Sievers

Management Board

MANAGEMENT BOARD OF STABILUS S.A.

The Management Board comprises four members:

Dietmar Siemssen (Chairman) is the Chief Executive Officer and was appointed to the Management Board in 2014 as well as the Chairman of the Management Board. With 20 years of experience in the automotive industry, Mr. Siemssen joined Stabilus in 2011 following a 19-year career in various management positions at Continental AG. He holds a degree in mechanical engineering and business administration. Mr. Siemssen also holds further management positions within the Stabilus Group.

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

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

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

Bernd-Dietrich Bockamp (until December 2015) served Stabilus as Director Group Accounting and as a member of the Management Board since 2014. Mr. Bockamp joined Stabilus in 2011. Prior to that, he led the financial projects and system team at FTE Automotive following several years at KPMG Bayerische Treuhand. He holds a degree in industrial engineering and management.

SUPERVISORY BOARD OF STABILUS S.A.

The Supervisory Board comprises four members:

Udo Stark serves as a member of the Supervisory Board since 2014 as well as the Chairman of the Supervisory Board. He 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. Stephan Kessel serves as a member of the Supervisory Board since 2014. He was Chief Executive of Continental AG until 2002. Previously, Dr. Kessel held a variety of management positions at Continental AG, joining its Management Board in 1997 and becoming Chief Executive in 1999. In recent years, Dr. Kessel has taken up a number of board positions at European companies including, among others, Stabilus. From 2008 through 2010, Dr. Kessel was Chairman of the Board of the former holding company of the Operating Stabilus Group.

Dr. Joachim Rauhut serves 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 and B. Braun Melsungen AG, member of the Advisory Counsel of J. Heinrich Kramer Holding GmbH and member of the Advisory Board of the Region South of COMMERZBANK Aktiengesellschaft.

Dr. Ralf-Michael Fuchs serves as a member of the Supervisory Board since October 1, 2015. He joined Dürr AG in 2000 and continues to be a member of the Dürr Senior Executive Management and CEO of the Division Measuring and Process Systems. Furthermore, he is Chairman of the Management Board of Carl Schenck AG, a subsidiary of Dürr Group, as well as board member of various Dürr companies. Previously, he had been serving in various leading roles, including positions at AGIV AG and IWKA 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 CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the Annual General Meeting of the Shareholders dated February 17, 2016, we have audited the accompanying consolidated financial statements of Stabilus S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at September 30, 2016 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 65 to 134.

Management Board's responsibility for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements as set out on pages 65 to 134 give a true and fair view of the consolidated financial position of Stabilus S.A. as of September 30, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The combined management report, including the corporate governance statement, which is the responsibility of the Management Board, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Luxembourg, December 13, 2016

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
Ph. Meyer

D

CHAPTER D

ANNUAL ACCO-UNTS

BALANCE SHEET

as of September 30, 2016

Balance sheet

T_078

IN € THOUSANDS	NOTE	Sept 30, 2016	Sept 30, 2015
Assets			
Fixed assets	3	**461,744**	**461,766**
Intangible fixed assets			
Concessions, patents, licenses, trade marks and similar rights and assets, if they were acquired for valuable consideration and need not be shown under goodwill, to the extent that it was acquired for valuable consideration		9	16
Tangible fixed assets			
Other fixtures and fittings, tools and equipment		20	35
Financial fixed assets	4		
Shares in affiliated undertakings		461,715	461,715
Current assets		**161,108**	**6,341**
Debtors			
Amounts owed by affiliated undertakings			
becoming due and payable within one year	5	160,547	6,133
Other receivables			
becoming due and payable within one year		199	68
Cash at bank, cash in postal check accounts, checks and cash in hand		362	139
Prepayments	6	**441**	**543**
Total assets		**623,293**	**468,650**

Balance sheet

T_078

IN € THOUSANDS	NOTE	Sept 30, 2016	Sept 30, 2015
Liabilities			
Capital and reserves	7	**602,426**	**451,115**
Subscribed capital		247	207
Share premium and similar premiums		419,801	260,771
Reserves			
Legal reserve		21	21
Other reserves		4,836	4,836
Profit or loss brought forward		185,281	185,389
Profit or loss for the financial year		(7,759)	(108)
Subordinated debts		**–**	**–**
Non convertible loans			
becoming due and payable after more than one year		–	–
Provisions		**800**	**9**
Provisions for taxation		800	9
Non subordinated debts		**20,067**	**17,525**
Trade creditors			
becoming due and payable within one year		2,374	922
Amounts owed to affiliated undertakings			
becoming due and payable within one year	8	17,009	16,150
Tax and social security debts			
Tax debts		–	25
Social security debts		10	83
Other creditors			
becoming due and payable within one year		674	345
Total liabilities		**623,293**	**468,650**

PROFIT AND LOSS ACCOUNT

for the fiscal year ended September 30, 2016

Profit and loss account

T_079

IN € THOUSANDS	NOTE	Year ended Sept 30, 2016	2015
Charges			
Other external charges	9	**18,960**	**7,496**
Staff costs	11	**906**	**810**
Salaries and wages		547	493
Social security on salaries and wages		359	316
Value adjustments		**22**	**15**
on formation expenses and on tangible and intangible fixed assets		22	15
Other operating charges	10	**1,291**	**351**
Value adjustments and fair value adjustments on financial current assets		**59**	**–**
Interest and other financial charges	12	**81**	**876**
concerning affiliated undertakings		–	303
other interest and similar financial charges		81	573
Income tax		**2**	**20**
Profit for the financial year		**–**	**–**
Total charges		**21,321**	**9,567**

Income			
Other operating income		**12,872**	**9,459**
Other interest and other financial income		**–**	**–**
derived from affiliated undertakings		689	–
Loss for the financial year		**7,759**	**108**
Total income		**21,321**	**9,567**

NOTES TO THE ANNUAL ACCOUNTS

for the year ended September 30, 2016

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 the 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 also 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 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.

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 € 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 € (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 € 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.

VALUATION OF INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible and tangible assets are used for business purposes and are measured at cost less accumulated value adjustments. Depreciation on intangible and tangible fixed 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.

VALUATION OF FINANCIAL FIXED 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.

DEBTS

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

Debts are recorded under subordinated debts when their status is subordinated to unsecured debts.

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.

3 Movements in fixed assets

Fixed assets schedule

T_080

IN € THOUSANDS	Intangible fixed assets	Tangible fixed assets	Shares in affiliated undertakings	Total
Gross value				
Balance as of Sept 30, 2015	**22**	**44**	**461,715**	**461,781**
Additions	–	–	–	–
Disposals	–	–	–	–
Balance as of Sept 30, 2016	**22**	**44**	**461,715**	**461,781**
Accumulated value adjustments				
Balance as of Sept 30, 2015	**(6)**	**(9)**	**–**	**(15)**
Additions	(7)	(15)	–	(22)
Disposals	–	–	–	–
Balance as of Sept 30, 2016	**(13)**	**(24)**	**–**	**(37)**
Carrying amount				
Balance as of Sept 30, 2015	**16**	**35**	**461,715**	**461,766**
Balance as of Sept 30, 2016	**9**	**20**	**461,715**	**461,744**

4 Financial fixed assets

Shares in affiliated undertakings

T_081

IN € THOUSANDS	Proportion of capital held	Year end date	Shares in affiliated undertakings as at Sept 30, 2016	Equity as at year end (including result)	Profit or loss for the year ended
Blitz F10 neun GmbH, Wallersheimer Weg 100, 56070 Koblenz, Germany	100.00%	31.12.2015	28	2	(12)
Servus III (Gibraltar) Limited, 57/63 Line Wall Road, Gibraltar	100.00%	30.09.2015	5,162	5,156	–
Servus Luxembourg S.à r.l., 2 rue Albert Borschette, L-1246 Luxembourg	100.00%	30.09.2015	13	(33)	(10)
Servus Sub S.à r.l., 2 rue Albert Borschette, L-1246 Luxembourg	100.00%	30.09.2015	456,512	456,419	(40)
Total			**461,715**		

5 Amounts owed by affiliated undertakings

The increase is mainly related to cash pool receivables owed by affiliated undertakings amounting to €149,641 thousand (PY: €5,978 thousand). The remaining increase is due to the reimbursement of costs incurred for the refinancing and acquisition activities resulting in a receivable of €10,905 thousand.

6 Prepayments

Prepayments mainly relate to insurance contracts.

7 Capital and reserves

On July 5, 2016, the Management Board of Stabilus S.A., with the approval of the Supervisory Board, resolved to utilize about 37% of its authorized capital (10.8 million shares) and to increase the share capital from €207 thousand by €40 thousand to €247 thousand via issuance of 3,976,744 new bearer shares which will bear full dividend rights for the fiscal year 2016. Following the issuance of new shares, the total number of shares amounts to 24.7 million and the number of authorized shares amounts to 31.5 million.

On July 6, 2016, the capital increase was successfully completed: Stabilus issued 3,976,744 new bearer shares and placed these shares with institutional investors. On July 7, 2016, the new shares were admitted for trading and included in the current listing in the Prime Standard segment of the Frankfurt Stock Exchange.

Issued capital as of September 30, 2016 amounts to €247 thousand (PY: €207 thousand) and was fully paid in. It is divided into 24.7 million shares with a nominal value of €0.01 each.

As at September 30, 2016, the share premium amounts to €419,801 thousand and the distributable other reserve amounts to €4,835 thousand. The increase is due to the premiums received for the issuance of shares in July 2016 amounting to €159,030 thousand.

The authorized capital of the Company is set at €315 thousand represented by maximum of 31.5 million shares, each with a nominal value of €0.01.

Under Luxembourg law, the Company is required to allocate annually at least 5% of its statutory net profit to a legal reserve until the aggregate reserve equals 10% of the subscribed share capital. The reserve is not available for distribution. In financial year 2016 no additional amount has been allocated to the legal reserve.

8 Amounts owed to affiliated undertakings

An amount of €17,009 thousand (PY: €16,150 thousand) consists of cash pool liabilities owed to affiliated undertakings.

9 Other external charges

Other external charges T_082

IN € THOUSANDS	Year ended Sept 30, 2016	2015
Administration fees	133	500
Consulting fees	17,978	6,324
Audit fees	396	378
Group insurance	207	111
Legal and professional fees	228	168
Bank charges	17	15
Total	**18,959**	**7,496**

Consulting fees include fees in relation to the refinancing of the term loan facility and the acquisition of certain entities (e. g. ACE, Hahn-Gasfedern and Fabreeka/Tec Products) from the SKF Group.

10 Other operating charges

The other operating charges refer in substance to real estate transfer tax and to the remuneration of the Supervisory Board.

11 Staff costs

The Company employs 5 employees as of September 30, 2016 (PY: 4). The average number of employees in the financial year 2016 was 5 (PY: 3).

12 Interest and other financial charges

Interest in other financial charges include €51 thousand for the temporary drawing of Equity Bridge Facility.

13 Other operating income

The other operating income includes reimbursements of refinancing and acquisition costs to the group of €10,300 thousand (PY: €9,458 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 €343 thousand (PY: €278 thousand).

The remuneration of the members of the Supervisory Board amounts to €365 thousand (PY: €351 thousand).

As of September 30, 2016 member of the Management and Supervisory Board held 0.7% of the total shares in Stabilus S.A.

16 Share-based payment

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 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 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, 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. Reinvestment of IPO proceeds from previous equity programs are not taken into account for MSP A.

In fiscal year 2016 12,751 options were issued for MSP A and 23,160 for MSP B. The exercise price is €31.08.

17 Commitments, contingencies and pledges

The Company and other affiliated companies entered into a new 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 has already been repaid per September 30, 2016, the new facility agreement is valid until June 30, 2021. The new loan was used for the redemption of the loan issued on December 19, 2014.

With share pledge agreement dated September 27, 2016 the Company is guarantor of the senior term loan facility.

The Company has signed a rent contract starting November 1, 2013 and terminating January 31, 2018. The rental payments for the financial year 2017 will be €171 thousand and for the financial year 2018 €57 thousand. The company issued a bank guarantee amounting to of €100 thousand.

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, 2016.

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 ANNUAL ACCOUNTS

Following our appointment by the Annual General Meeting of the Shareholders dated February 17, 2016, we have audited the accompanying annual accounts of Stabilus S.A. which comprise the balance sheet as at September 30, 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 142 to 152.

Management Board's responsibility for the annual accounts

The Management Board is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation 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.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts as set out on pages 142 to 152 give a true and fair view of the financial position of Stabilus S.A. as of September 30, 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The combined management report, including the corporate governance statement, which is the responsibility of the Management Board, is consistent with the annual accounts and includes the information required by the law with respect to the corporate governance statement.

Luxembourg, December 13, 2016

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
Ph. Meyer

E

CHAPTER E

ADDITIONAL **INFORMATION**

FINANCIAL CALENDAR

Financial calendar

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DATE[1)2)]	PUBLICATION / EVENT
December 15, 2016	Publication of full year results for fiscal year 2016 (Annual Report 2016)
February 13, 2017	Publication of the first-quarter results for fiscal year 2017 (Interim Report Q1 FY17)
February 15, 2017	Annual General Meeting
May 15, 2017	Publication of the second-quarter results for fiscal year 2017 (Interim Report Q2 FY17)
August 11, 2017	Publication of the third-quarter results for fiscal year 2017 (Interim Report Q3 FY17)
November 27, 2017	Publication of preliminary financial results for FY2017
December 15, 2017	Publication of full year results for fiscal year 2017 (Annual Report 2017)

[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 until September 30 of the following calendar year, e.g. the fiscal year 2017 comprises a year ended September 30, 2017.

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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Email: investors@stabilus.com

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