

NON-FINANCIAL REPORT FISCAL YEAR 2017/2018



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1 ABOUT THIS REPORT

Stabilus S. A. is a public interest company within the meaning of Article 2, point 1) of the Directive 2013/34/EU. The Stabilus Group, i.e. Stabilus S. A. including its consolidated subsidiaries, is exceeding the average number of 500 employees. As such, Stabilus S. A. is obliged by the European directive and Luxembourg law¹ to report on non-financial information of the consolidated Stabilus Group. We have decided to provide the required disclosure regarding environmental matters, employee and social matters, respect for human rights as well as anti-corruption and bribery matters in a separate, concise non-financial report, complementing our annual report.

This is the first non-financial report of the Stabilus Group, hereafter also referred to as “Stabilus” or “Group”. It will be updated on an annual basis following the completion of each Stabilus’ fiscal year (October 1 – September 30) and the release of the corresponding annual report.

No specific framework has been applied for the preparation of this non-financial report.

Disclosure is required for material non-financial matters that are relevant for an understanding of the reporting entities’ development, performance, assets, financial and earnings position as well as the impact of its business activities on non-financial matters.

To meet these requirements, Stabilus has performed a structured internal analysis of potential non-financial matters, involving relevant business departments, and considering Stabilus’ impacts on these matters as well as their business relevance.

The following non-financial matters have been identified to be material and are described in the following chapters: Energy, water, occupational safety, employee development, environmental aspects within our supply chain, human rights including conflict minerals issues in our supply chain, anti-corruption and bribery. We have not identified any material topics on social matters.

No risks related to our business activities, products, services or business relationships have been identified that are likely to have serious adverse effects on non-financial matters.

The information in this report generally refers to the entire Stabilus Group.

Information in the Environment and Employees chapters refer only to the Group’s production sites, since these sites are most relevant for Stabilus in terms of environmental impacts and occupational safety.

1) The Luxembourg Law on Disclosure of Non-financial Information and Information on Diversity of July 23, 2016, implementing EU Directive 2014/95/EU

2 BUSINESS MODEL

Stabilus S. A. is a public limited liability company (société anonyme) incorporated in Luxembourg and governed by Luxembourg law. Stabilus S. A. is the parent company of the Stabilus Group. With 17 production sites in nine countries and even more sales offices / representations worldwide, it covers the regional markets of Europe, NAFTA and Asia / Pacific and Rest of World. Stabilus Group now has more than 6,600 employees worldwide. Our largest operations being our operational headquarters and plant in Koblenz, Germany and our plants in Ramos Arizpe, Mexico and Brasov, Romania and Wujin, China.

As a leading manufacturer of gas springs, dampers as well as electromechanical tailgate opening systems (motion control solutions), its products are used in a wide range of applications in the automotive and the industrial sector, including furniture applications. By entering new markets, Stabilus continued on its growth path, generating revenues of €962.6 million in fiscal year 2017 / 18.

Like most manufacturing companies, Stabilus sources production and non-production materials. We mainly purchase components or semi-manufactured products. Typical raw materials purchased are those contained in semi-manufactured products / components, e.g. steel, copper and rubber.

Geographically, the most important areas we source from are Western Europe and North America.

3 ENVIRONMENT, HEALTH & SAFETY

As a manufacturing company, Stabilus is aware of its impact on the environment. The most important of these are energy and water consumption.

Ensuring employee health and safety by preventing accidents and adverse health effects is a central responsibility of Stabilus as an employer and at the heart of our corporate culture. Besides the intrinsic focus we put on Environment, Health and Safety (EHS) matters, we also respond to increasing requirements from our stakeholders, e.g. automotive customers and investors.

EHS MANAGEMENT AND POLICIES:

Setting of environmental, health and safety targets as well as developing strategies and steering mechanisms are the responsibility of the Chief Operating Officer of the Stabilus Group. The local management of each Stabilus plant and designated Environmental Managers at selected sites implement these goals.

Global Human Resources (HR) and local HR Management is responsible for successful implementation of measures concerning preventive employee health.

In fiscal year 2017/18 the Stabilus Global Operations team rolled out the Global EHS Initiative, which aims to exceed regional regulations by implementing best practices. Its three mandates are: reducing pollution as part of the environmental mandate, protecting employee health, safety, and welfare as part of its health and safety mandate, and promoting continuous reduction of energy requirements during operations as part of its energy efficiency mandate. Global and regional EHS Councils were established in 2018 to roll out the global Stabilus Environment, Health and Safety (EHS) Policy. It defines the most relevant topics and defines goals and responsibilities. All Stabilus locations worldwide shall adhere to this policy.

Our Global Process Technology unit, headed by the Chief Operating Officer, monitors efficiency measures in production processes, including energy and material efficiency improvements. Best practices are rolled out to additional plants.

To further improve and standardize environmental management systems, Stabilus obtained ISO 14 001 (EMS) certification for several plants. The operational headquarters in Koblenz was the first site to receive certification in 1997. Our Koblenz plant is also EMAS certified and publishes a detailed Environmental Declaration. Eleven of our plants are currently ISO 14 001 certified. With the increasing importance of energy efficiency measures, Stabilus Koblenz decided to obtain an ISO 50 001 certification, the international standard for implementing an energy management system. Also, the recently acquired Hahn Gasfedern plant is certified according to ISO 50 001. As part of these initiatives we will also continuously improve our annual guidelines and processes related to EHS data collection.

Energy consumption has been identified as most important environmental impact driver for Stabilus, as it is associated with greenhouse gas emissions and fossil fuel depletion. Stabilus' main sources of energy are electricity and, to lesser extent, natural gas. Within Stabilus' direct operations, production processes account for the vast majority of energy consumption. In comparison, logistics as well as other non-production processes play a minor role.

In 2018, we have established an initial energy efficiency goal that applies to each plant individually. The target is to reduce energy consumption per production unit by 0.5% per year, across all energy sources.

Measures aiming at reducing energy consumption are implemented in various contexts from production and auxiliary processes through energy and building infrastructure to offices and datacenters. Examples completed in the reporting year include:

- Saving over 1,200 MWh of natural gas per year at our Koblenz plant, e.g. by reducing the total flow temperature of the heating system,
- Replacement of conventional lighting with high efficiency/LED lamps at various plants (including Ramos Arizpe in Mexico, Gastonia in USA, Changzhou in China), saving over 123 kWh annually with further measures on the way

Total energy consumption (incl. natural gas, electricity, district heating) in 2017/2018 amounted to 163,077 MWh, leading to an energy intensity per production unit (across all products) of 0.72 kWh/part.

Water is used in our production process mainly as a coolant and detergent/solvent, e.g. for the washing of parts between manufacturing steps. The availability of sufficient and good-quality water is crucial for operations at many Stabilus sites. Therefore, we will closely monitor and assess water related risks to develop strategies to mitigate risks, if necessary.

We aim to reduce the water consumption per production unit going forward, at site level.

In the reporting year, several measures for improving water management were newly implemented and proceeded. Amongst those was for instance the replacement of cooling towers at our Romanian plant. This measure will reduce freshwater consumption by around 10,000 m³ per year.

The total water consumption in 2017/2018 amounted to 402,333 m³, leading to a water intensity per production unit (across all products) of 1.78 l/part.

Health and safety hazards are tied mainly to production activities. Workplaces with a comparatively higher risk profile are related to activities such as metals treatment or painting/coating processes.

With preventive measures such as risk assessments, audits and training, we aim to foster an active safety culture. It is our belief that only with motivated and trained employees we can achieve a safe working environment.

In terms of health & safety management, nine Stabilus sites are currently OHSAS 18 001 certified. OHSAS (Occupational Health and Safety Assessment) is a British, but internationally applied standard for occupational health and safety management systems that was replaced by the ISO 45 001 standard in March 2018. We plan to implement ISO 45 001 certification gradually in selected other plants over the coming years.

The total number of accidents in 2017/2018 was 70 cases, leading to an accident frequency rate of 1.30 accidents per 200,000 hours worked².

2) This figure is based on the number of hours worked for employees clocking. Accidents are counted if they lead to one day of absence or more.

4 EMPLOYEE MATTERS

Sustainable corporate success is amongst others depending on our employees. It is our goal to support the development of our employees, to retain employees keeping in mind the current and future challenges of the labor market and to promote innovations.

We support our employees' personal and professional development by e.g. trainings and we aim for a corporate culture that promotes innovations based e.g. on an idea management system.

Besides adherence to basic legal and ethical norms, offering positive and attractive working conditions is crucial for gaining and retaining qualified employees. Likewise, education and development of employees are a key success factor in our industry, which depends on constant innovation and operational excellence.

Our mission is defined by the leading image "One Stabilus": It aims to bring together different backgrounds within the Group, promote a common corporate culture across companies, regions and locations, and strengthen identification with Stabilus.

Our Global HR function coordinates Group-wide activities and establishes strategies regarding the matters of working conditions, employment, recruiting and employee development. It also drives organizational development in the HR field, and provides central services for the Group.

The HR Managers at our plants are reporting via a matrix structure to the respective Plant Manager, as well as to Global HR. They are in charge of ensuring compliance with local laws as well as with Stabilus' global policies and standards.

Reporting of HR related KPIs is done via a centralized system. Annual HR summits foster exchange between the worldwide HR staff and contribute to the alignment of our global practices.

Besides the continuous and targeted qualification programs we offer all employees, we have set up dedicated programs:

The "Lady STAR" program, started in the reporting year in our German sites, focuses on assisting female employees in advancing and reaching their career goals. With about 100 participants in Germany in its first year, we aim to extend the program to other countries.

In 2018, our "Rising STARS" program for high-potential employees started for the third time. It offers a structured approach for the most talented young employees around the globe who aim to become future leaders at Stabilus. Each participant is given a 2-year educational program and a mentor from the Management Board to accompany them.

5 SUSTAINABILITY IN PROCUREMENT

In today's global economy with its increased international division of labor, the supply chain plays a key role in accurately determining and improving a company's sustainability performance. Especially since we procure semi-manufactured products, Stabilus' success is deeply connected to a reliable and sustainable supply chain.

Environmental impacts such as energy and resource consumption occur throughout the supply chain and depend on the nature of goods sourced and processes used.

Our strategic procurement function is responsible for steering and coordinating procurement and supply chain management across the Group. Operational responsibility lies with the regional Heads of Procurement. Incidents related to sustainability issues within the supply chain are reported.

Operational decisions, for instance regarding awarding of individual contracts, are made by the Sourcing Committee which comprises representatives from various functions, including logistics, R&D, controlling, and others. During the supplier onboarding process environmental certifications are checked.

The key document, summarizing our expectations towards suppliers and other business partners, is the Stabilus Business Partner Code. It builds upon our own Code of Conduct and contains detailed requirements in several areas, including:

- Working conditions, e.g. to respect the right of free association and equal pay for men and women
- Human rights, e.g. eliminating child labor, forced labor, and discrimination
- Fair business practices, e.g. to observe principles of fair competition and prevent corruption, and to ensure data privacy
- Environment, e.g. to improve environmental and resource protection within our own operations and within the entire value chain
- Health and safety, e.g. to observe all applicable laws and actively promote safe working environments

Our Business Partner Code must be signed by all suppliers. Violations of the Business Partner Code, depending on the severity of the violation, can lead to sanctions including the immediate termination of the supplier relationship.

We are in the process of finalizing a sustainable sourcing policy which puts our principles for assessing and managing supply chain sustainability in writing, for our internal management.

All potential suppliers undergo a prequalification process in which a basic risk assessment regarding financial and sustainability issues is carried out. New suppliers must complete a self-assessment questionnaire that includes questions regarding their existing environmental and quality management and respective certifications. Providing a valid ISO 14 001 certification is an integral part of this evaluation. Our long-time suppliers are regularly checked for renewal of their certifications.

We perform regular onsite audits of suppliers that cover quality, environmental, health and safety topics as well as working conditions.

CONFLICT MINERALS

An area receiving special stakeholder attention is conflict minerals, i.e. metals such as tin, tungsten, tantalum and gold, that are extracted in conflicted and unstable regions around the world and tied to exploitative practices like forced labor and severe human rights violations. Several of our customers have requested that we report the source and origin of the products we procure containing these materials, due mainly to legal obligations under the Dodd-Frank Act that companies listed on the US stock exchange disclose information on the use of conflict minerals in their own supply chain.

Our goal is to avoid conflicts in the supply chain. Group responsibility for conflict minerals is bundled in R&D in close cooperation with Strategic Procurement.

Our recent activities include the use of the Conflict Minerals Reporting Template (CMRT) created by the Responsible Minerals Initiative: We require our direct suppliers, who run the risk of sourcing conflict minerals, to fill out this standardized report to trace the minerals back through the complete supply chain. Information is then provided to Stabilus customers who request it via several platforms.

Based on above mentioned procedures we did not become aware of any human rights violation or of any customer complaints in relation to violations of conflict minerals requirements in the reporting period.

6 COMPLIANCE / ANTI-CORRUPTION AND BRIBERY

It is the foundation of all our worldwide activities to conduct business only in compliance with the respective legal requirements. These obligations apply to our internal processes but also to all our relationships with external stakeholders such as customers, suppliers and public authorities.

As a globally operating company Stabilus has identified existing compliance risks, e.g. general corruption risks that may lead to legal fines, uninformed business decisions, or damage to reputation.

As a safeguard against compliance issues, Stabilus introduced Group-wide compliance management. Responsibility lies with the Stabilus Corporate Compliance Officer who reports monthly to the management board and quarterly to the Supervisory Board.

With the goal of strengthening our worldwide compliance organization, we have recently designated local Compliance Officers who will be in charge of supporting local compliance management implementation and who report directly to the Stabilus Corporate Compliance Officer.

Our management framework is underpinned by two key guidance documents: the Stabilus Code of Conduct and the Stabilus Business Partner Code of Conduct. The Stabilus Code of Conduct sets out rules that translate legal requirements and our ethical values into general conduct guidelines to help us to act lawfully and responsibly in our daily work. It applies to all business activities within the Stabilus Group, internally as well as when interacting with external parties. All relevant new employees must read and sign the Code of Conduct.

It contains a dedicated section on prevention of corruption, setting out clear rules for behavior, e.g. concerning giving and accepting gifts or advantages, donations and sponsoring.

The Stabilus Business Partner Code of Conduct must be signed and adhered to by all business partners. It sets out rules for fair business practice, conducting fair business and preventing corruption as well as ensuring data privacy.

We have set up an internal compliance training program on the contents of our Code of Conduct. At our German locations, dedicated training sessions for staff from different functions were conducted in the reporting year. All relevant employees must be trained within specified intervals.

Stabilus employees are encouraged to report compliance violations to their superiors, the Corporate Compliance Officer or the respective HR manager. In addition, an electronic reporting portal was implemented during fiscal year 2017/2018. It provides a secure system for employees and business partners to report incidents or concerns to the Corporate Compliance Officer. These reports can be sent anonymously.

A formal Group-wide process for incidents and claims has also been established. These reports are part of regular reporting to Stabilus Group Management and the Supervisory Board. In case of an incident, the Corporate Compliance Officer follows up on any corrective actions taken.

Based on the implemented systems and processes no corruption or bribery issues have been identified in the reporting period.

Luxembourg, December 12, 2018



Dr. Stephan Kessel
Management Board



Mark Wilhelms



Andreas Schröder



Andreas Sievers



Markus Schädlich

7 INDEPENDENT LIMITED ASSURANCE REPORT

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

Independent Limited Assurance Report to Stabilus S.A. on the consolidated statement on non-financial information covering the requirements set forth in article 1730-1 of the law of 10 August 1915 on commercial companies, as subsequently amended, for the year ended 30 September 2018

We were engaged by the Management Board of Stabilus S.A. (“the Company”) to report on Stabilus S.A.’s consolidated statement on non-financial information covering the requirements set forth in article 1730-1 (formerly article 339bis) of the law of 10 August 1915 on commercial companies, as subsequently amended, for the year ended 30 September 2018 (“the Report”), in the form of an independent limited assurance conclusion that, based on our work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report has not been prepared, in all material respects, in accordance with the requirements set forth in article 1730-1 of the law of 10 August 1915, on commercial companies, as subsequently amended.

MANAGEMENT’S RESPONSIBILITIES

The Management Board is responsible for the preparation and presentation of the Report, and the information and assertions contained within it, in accordance with article 1730-1 (formerly article 339bis) of the law of 10 August 1915 on commercial companies, as subsequently amended.

This responsibility includes the determination of the Company’s objectives in respect of non-financial information, performance and reporting, including the identification of stakeholders and material issues; for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived; and the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual non-financial information disclosures which are reasonable in the circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

OUR RESPONSIBILITIES

Our responsibility is to perform a limited assurance engagement on the Report for the year ended 30 September 2018 prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” published by the International Auditing and Assurance Standards Board as adopted for Luxembourg by the Institut des Réviseurs d’Entreprises.

This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with article 1730-1 of the law of 10 August 1915 on commercial companies, as subsequently amended. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor’s own judgement.

SCOPE OF WORK

A limited assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give assurance over the matters identified for our report. The procedures selected depend on our judgment, the suitable criteria as defined below including our assessment of the risk of material misstatement in the Report, whether due to fraud or error.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Within the scope of our engagement, we performed amongst others the following procedures:

- Inquiries of personnel who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for the Company
- A risk analysis, including a media research, to identify relevant information on the Company's sustainability performance in the reporting period
- Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of disclosures on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including data consolidation
- Inquiries of personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, the conduction of internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documents
- Assessment of the overall presentation of the disclosures in the consolidated non-financial statement

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

As part of this engagement, we have not performed any procedures by way of audit or verification of the underlying records or other sources from which the Report was extracted by the Management Board.

DETERMINATION OF SUITABLE CRITERIA

As a basis of the assurance engagement, we have used the criteria as set out in article 1730-1 of the law of 10 August 1915 on commercial companies, as subsequently amended.

CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report for the year ended 30 September 2018 has not been prepared, in all material respects, in accordance with article 1730-1 (formerly article 339bis) of the law of 10 August 1915 on commercial companies, as subsequently amended.

Luxembourg, 12 December 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

T. Feld

INFORMATION RESOURCES

Further information including news, reports and publications can be found in the investor relations section of our website at www.ir.stabilus.com.

Investor Relations

Phone: +352 286 770 21

Fax: +352 286 770 99

Email: investors@stabilus.com

Forward-looking statements

This non-financial 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 non-financial 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 non-financial report.



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

WWW.STABILUS.COM