

ANNUAL REPORT

Sedus Stoll Group

2018



Key Indicators at a Glance

Sedus Stoll Group

		2014		2015	
Sales revenues	EUR thousand	157,938		178,976	
of which in Germany	EUR thousand	96,238		100,215	
of which abroad	EUR thousand	61,700		78,761	
Net income for the financial year	EUR thousand	6,147		10,892	
Cash Flow	EUR thousand	16,899		21,713	
Investments (excluding financial assets)	EUR thousand	3,990		4,755	
Depreciation, amortisation and write-downs (excluding financial assets and goodwill)	EUR thousand	8,346		7,993	
Balance sheet total	EUR thousand	115,292		126,928	
Equity	as a % of the balance sheet total	50.9		53.4	
Average number of employees across all quarters (excluding management boards, managing directors and trainees)		829		821	
of which in Germany		766		761	
of which abroad		63		60	

2016		2017		2018		Difference compared to previous year (PY)
						%
188,495		191,150		212,283		11.1
103,855		107,897		110,535		2.4
84,640		83,253		101,748		22.2
9,483		9,820		9,781		-0.4
19,257		18,769		21,113		12.5
10,019		9,164		15,834		72.8
7,359		7,740		8,254		6.6
138,217		150,512		161,524		7.3
54.3		54.9		55.7		–
841		873		935		7.1
782		809		864		6.8
59		64		71		10.9

Structure of the Sedus Stoll Group

STOLL VITA FOUNDATION 59,3 %	KARL BRÖCKER FOUNDATION 31,6 %	OTHER SHAREHOLDERS 9,1 %
Waldshut-Tiengen	Lippstadt	
Main shareholder	Main shareholder	

SEDUS STOLL AKTIENGESELLSCHAFT Dogern

Sedus Systems GmbH D - Geseke	100 %	Sales companies	
Klöber GmbH D - Owingen	100 %	Sedus Stoll S.A.R.L. F - Paris	100 %
Hardship Fund of Sedus Stoll Aktiengesellschaft e.V. D - Waldshut-Tiengen	100 %	Sedus Stoll S.R.L. I - Cadorago	100 %
		Sedus Stoll Ges.m.b.H. A - Wien	100 %
		Sedus Stoll Ltd. GB - London	100 %
		Sedus Stoll BV NL - Zoetermeer	100 %
		Sedus Stoll AG CH - Rickenbach	100 %
		Sedus Stoll BVBA B - Erembodegem-Aalst	100 %
		Sedus Stoll S.A. E - Madrid	100 %

sedus

KLÖBER 

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The notes and management report pertaining to the individual financial statements of Sedus Stoll AG do not constitute part of the annual report. The annual closing of accounts with notes and the management report will be published in the Federal Gazette.

Economic developments

THE RENAISSANCE OF OFFICE WORK

From administration to creation –
primary corporate processes are now orchestrated in the office;
with the various tasks as distinctive as the people who carry them out.
With new products and concepts Sedus is shaping current trends.

■ FabLabs und Co-Working Spaces

Technical advancement and constantly changing market conditions require increased performance from and continuous ongoing training of employees. Training and experience are the drivers of the innovation process and consequently also govern training and ongoing training programmes. Each and every employee becomes part of a learning process, both as a tutor and a student.

A modern, open workplace culture is fostered in Fablabs (open-plan workshops) and co-working spaces (shared offices) to bring various skills and talent together and enable reciprocal learning. Both office types rely on networked working practices in which diverse skills and competencies are consciously intermingled.

The biggest change introduced by co-working is the unique neighbourly yet competitive relationship, which is appreciated by participants because it gives rise to new learning opportunities, forms and processes. Processes are mutually inspired and occur almost in passing in an unconstrained and spontaneous manner, even when working side by side on completely different projects.

The Fablab model contributes to working practices in a more experimental manner. As a mix between traditional and digital research laboratories, Fablabs take an interdisciplinary approach in the form of project-based teams acting autonomously and detached from traditionally organised innovation processes.

Both models provide a suitable platform for success-oriented organisations seeking to harmoniously accommodate personal career aspirations and corporate requirements under one roof; with both models also requiring office equipment that is able to swiftly and effectively adapt to the constantly changing needs of individuals and teams.



01



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— The multi-generational office

Different generations have always worked together in offices; these days, however, employees who have reached the age of retirement are generally in much better shape than previously and frequently wish to continue working and making a contribution to society. Their knowledge and experience makes them valuable employees for any company.

In many offices, having four generations working alongside each other is already the norm. All have their own distinctive life plans, their own way of working and different habits. In light of this, getting to grips with the multi-generational office is not simply a fad, but rather a necessity and also an opportunity to develop a sustainable model of integration that accommodates various levels of knowledge and working practices under one roof.

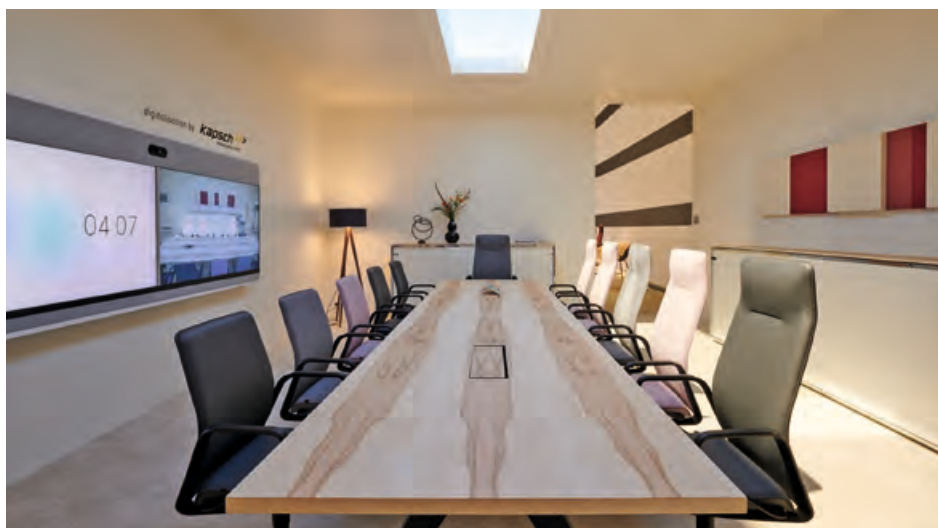
Better results are achieved if all employees are given a major say on commensurate equipment and choice. Regardless of age, gender, culture and skills, of decisive importance in terms of well-being is the extent to which individual workplaces can be more personally arranged, whether suitably adapted environments are available for different jobs and whether the ambience, temperature and light can be individually adjusted.

The design of office equipment can be decisive for efficient collaboration between multiple generations. It should suit all employees and their respective temperaments, activities and physical requirements. Ultimately, office spaces are created through interactive cooperation that is easy to manage and respects the various different requirements in terms of communication, concentration, breathing space and cooperation.

01: High desk and high chairs
promote communication

02: A relaxed working atmosphere
enhances efficiency





02

Internet of Things conquers the office

We stand before a technological revolution that began with the introduction of the World Wide Web. Today this promises to reshape the way we live and work thanks to the omnipresence of networked devices that gather data to create new connectivity between people, spaces and objects.

The IoT (Internet of Things) is the largest, most effectively integrated intelligent network ever and encompasses items such as smartphones, portable devices, computers, cars, lamps, refrigerators, coffee machines – practically everything.

Intelligent objects are intended to make our lives more comfortable and efficient. In offices, such objects can help to improve cooperation and communication. Desks that can recognise colleagues and automatically adjust the light, temperature or even music in line with individual preferences are no longer a great challenge for the IoT.

Data monitoring and processing can save energy in office buildings and fine-tune it in line with the presence of staff. Above all, however, these aspects are starting to change the way in which people interact with each other and the room, while increasing productivity, optimising work processes, imparting a feeling of well-being to employees and transforming the office into a much more complex system.

In the last ten years we have seen the implementation of IoT systems that create intelligent office buildings. These systems have been introduced in recent years primarily to adapt offices to new working practices more efficiently and flexibly – most effectively characterised by the non-territorial office. In offices equipped with IoT technologies such as the space management system Sedus se:connects, employees can choose easily between a variety of environments and adjust the workplace to

their needs in accordance with the task in hand and personal preference.

In this manner the latest IoT system developments are also changing the way in which we work. Structurally efficient offices foster enhanced cost-effectiveness and job satisfaction, not least because they allow people to optimally express their individual and collective potential.

01: Large screens enable new forms of communication

02: A modern boardroom with video conferencing equipment

Business communication

EXTERNAL PERCEPTION

Individual projects may frequently include a decision-making body comprised of numerous specialists, all anticipating different information and wishing to communicate via different channels. Sedus pursues a multi-channel concept encompassing a healthy blend of print and online communication media.

— New online portal WHAT'S UP?

The WHAT'S UP? project was launched on the Sedus website at the start of September to provide Sedus customers, specialist dealers and interested parties throughout the sector with all the latest information. Under the four headings News, Workplace Design, Wellbeing and Sustainability, international authors report in six languages on new products, the trade fair schedule, events and all the important developments at Sedus and within the office environment. Interviews and project reports aim to inspire and also encourage the re-design of workspaces.

All online portal content can be easily shared via the various social media channels. WHAT'S UP? is ultimately a new information channel, a platform for insiders, a navigation tool and also a kind of sector news portal.

— Sedus INSIGHTS – Insights with Perspective

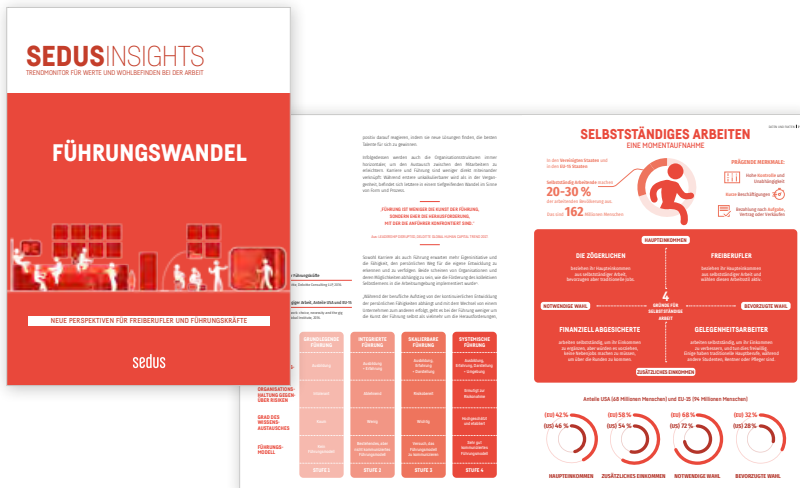
With three new issues in six languages, current trends in the office environment were once again highlighted in 2018. Many regional, national and international studies are being conducted by various researchers and institutes to provide science-based support for the professional design of office equipment and processes.

In the Sedus Marketing department, the often very extensive study results are analysed, evaluated and published in Sedus INSIGHTS as focused digests. Under the subheadline "Trend monitor for value and well-being at work", current figures, data, facts, case studies, valuable tips and expert statements are provided.

— 2018 German Prize for Business Communication

2018 saw Sedus participate for the third time in the category "Best Internal Communication", putting itself forward with the project "Future Proof Heroes – International Sales Meeting in Geseke". Excerpt from the presentation text: With the "Sedus Future Proof" concept, Sedus is offering a complete package that goes well beyond the subject of furnishings and professionally supports businesses in undertaking sustainable and future-proof investments. To enable the in-house sales team to access this concept, the international sales meeting evolved into an event with sustainable impact – with the new "Future Proof Heroes" operating with greater success than ever before. The jury in Berlin was confident that Sedus also counted among the best of the best in this category and included the company in the list of finalists.

Since 2001, companies that excel through outstanding, goal-oriented and effective communications work have been awarded the German Prize for Business Communication (DPWK). Compared to other design and communications awards, the focus is not on a single product or an individual advertising measure, but rather the communications package of an overall project.



01

CURRENT DESIGN AWARDS

German Design Award 2018

(Winner) Swivel chair se:do;
 (Winner) Conference chair se:line;
 (Winner) Partition and screen system se:wall;
 (Winner) Lounge furniture system se:works;
 (Special Mention) Swivel chair se:joy

iF Design Award 2018

Swivel chair se:joy

Red Dot Award:
 Product Design 2018

Swivel chair se:joy

Iconic Award Interior
 Innovation 2018

(Winner) Swivel chair se:joy

Innovation Award Architecture +
 Office 2018

(Special Mention)
 Swivel chair se:motion

Iconic Award Interior
 Innovation 2019

(Best of Best) Sit-stand stool se:fit;
 (Winner) Swivel chair se:motion;
 (Winner) All-rounder chair se:spot;
 (Selection) Swivel chair se:flex;
 (Selection) Office cubes se:cube

01: Insights issue N°7 tackles the subject of leadership change

02: Sedus once again amongst the finalists at the DPWK in Berlin



02

Investments

NEW COMPANY HEADQUARTERS

Extensive construction work at Dogern and Geseke is visibly progressing. The new office building at the Sedus plant in Dogern has now been occupied, meaning that the Market and Sales departments have finally completely vacated the founding location in Waldshut.

— New company headquarters in Dogern

Back in 1969 Christof Stoll began the progressive transfer of production from Waldshut to the neighbouring municipality of Dogern. Acquired by his grandfather Albert Stoll in 1871, the site was no longer big enough to cope with the continual growth of the company and the resulting requirement for expansion.

For decades the Sedus plant in Dogern, which is just four kilometres from the founding location, has been producing Sedus office furniture using state-of-the-art production methods. Relocation of the Marketing and Sales departments to the new office building at the Dogern site marks completion of the move from Waldshut to Dogern after precisely 50 years.

As a logical and consequential step, the company head office also relocated from Waldshut to Dogern; with the Dogern municipal authorities renaming the street in front of the company grounds in light of the event. Within the scope of a modest official ceremony attended by the Dogern municipal council, Sedus Supervisory Board and Sedus Management Board, the new "Christof Stoll Strasse" was officially inaugurated on 24 September, with street number 1 becoming the new company address of Sedus Stoll AG.

— SAP HANA computer centre in Dogern

Strategic IT systems represent an important building block when it comes to continual further development of the company. Of major significance in this respect is the SAP system, which underwent a comprehensive "facelift" in 2018.

SAP had already embarked on development of a new system under the designation HANA back in 2011. Starting with the HANA database, a completely re-programmed software

called SAP S/4 HANA followed in 2015. This software is based on an entirely new form of technology: so-called in-memory technology.

Given that the system currently in use will only be supported by SAP until 2025, a switch to the next version is inevitable. Due to the high complexity of the technological change, the decision was taken to complete the respective process in two stages. As a consequence, the ORACLE database is in the course of being replaced by the SAP HANA database and the SAP system upgraded to the current release EHP 8. The switch to the new SAP Suite S/4 HANA is then scheduled for 2023.

— New lamination system for upholstery production

New developments for ORGATEC placed significant demands on the adaptive upholstery in terms of ensuring a solid, uniform bond between the upholstery fabric and the foam components. Prior to the trade fair, a new, continuous feed lamination system was successfully installed and commissioned to ensure the quality series production of the new models.

— New fabric cutter

After 12 years of double-shift operation, the fabric cutter in Dogern has been replaced with a new G3 cutter, auguring increased performance of at least 20% in comparison with the old system. Cutting is performed using an oscillating circular knife and a blade on a felt cover, which also considerably enhances the cutting precision. Ultimately, the new facility has improved both capacity and quality, thereby ensuring Sedus is optimally equipped for further growth.



Ceremonial inauguration of the new Christof Stoll Strasse in Dogern



New lamination system at the Sedus plant in Dogern

RFID technology

August will see every chair at the Dogern plant equipped with an RFID label during assembly. Each label contains a small chip on which a unique identification number recorded in SAP is stored. At the QA extraction point, chairs will be automatically extracted for inspection by the conveyor belt as opposed to the previous operation carried out manually. As a result, the initial reading is also no longer performed manually, as here too the chair is recognised by the system and automatically printed with the correct shipment label.

The chips have also distinctly optimised the loading process. Fitted with the commensurate antennae, the loading gates recognise which chairs are actually being loaded upon transfer onto the delivery vehicle. Should a chair be inadvertently loaded in error, an alarm is immediately triggered and the error detected. Introduction of RFID technology has considerably improved the production and logistics processes, with planning for operation of the RFID technology at Sedus Systems already in the pipeline.

Lean production at Sedus Systems

Lean production is a concept designed to improve the efficiency of procedures and processes and, ultimately, also that of the entire company. Through the use of various tools, productivity and quality can be enhanced and production costs reduced. A simulation exercise used to generate a simulated production scenario provided the 20 management members with a notional insight into how important key company figures can be improved through the application of lean principles.

As such, value stream mapping practically implemented in the course of cabinet manufacture has provided direction for the next optimisation steps. The aim of the analysis is to achieve an optimal production and loading process.

At the same time, other employees were familiarised with the lean production philosophy and additional implementation tools applied and/or tested. Following implementation, commensurate value stream mapping was also carried out in other production areas, with the respective findings incorporated into implementation.

Upgraded Kanban system

Following a group-wide market study, the decision was taken to introduce an RFID-supported Kanban system due to be introduced at the start of 2019.

270 different screws and connection elements from all the various plants were the subject of enquiries placed with five potential suppliers. Through a detailed offer comparison and numerous negotiations, the prospects were narrowed down to two suppliers for the final selection. The two candidates then participated in on-site tours of all the plants in order to prepare a delivery concept optimised to the location in question.

The findings demonstrated that in the case of the Dogern location, a Kanban supply concept could not be practically or efficiently integrated into the new factory layout; however, Sedus Systems has now made the switch to the RFID technology already available at Klöber. Primary reasons for this decision were the additional functions of the RFID system and the savings potential based on the part price.

Environment and sustainability

ENVIRONMENTAL OBLIGATIONS

In the 2018 financial year, all Sedus Stoll Group locations once again furnished evidence that an effective environmental management system in line with pertinent regulation and standard requirements has been implemented and maintained.

— Eco-management

External recertification audits for the energy and environmental management system in accordance with DIN ISO 14001 (environmental management) and DIN ISO 50001 (energy management) were conducted at all German locations of the Sedus Stoll Group, while PEFC and FSC certification (sustainable forest management) was carried out at the location in Geseke. In addition, validation in accordance with EMAS III was conducted at Sedus Stoll AG in Dogern.

— Sustainability management

Sedus focuses on long-term economic success, whereby ecological and social aspects play an important role. Amongst other things, this is addressed through the careful use of natural resources and acceptance of social responsibility. The requirements and expectations of stakeholders are determined periodically and updated if necessary. As such, for this reason dialogue with the specialist dealers was undertaken to ascertain concerns and implement initial action.

Within the scope of participation in the United Nations Global Compact, the first progress report (COP) has been published, which reports to the United Nations the targeted themes and progress achieved on the issues of human rights, labour standards, the environment and anti-corruption.

— Quality management

Within the scope of the annual monitoring audit conducted by TÜV and the various internal audits, the effectiveness of the quality management system in accordance with DIN EN ISO 9001:2015 was assessed and once again confirmed for all the German locations of the Sedus Stoll Group, and moreover,

was even further improved on the basis of the respective audits. Quality performance of the Sedus Stoll Group is constantly checked both internally and externally within the scope of our market monitoring and, despite a slight reduction in individual areas, remains at a high level. Based on the restructuring and renewed growth observed in the past year this presents a positive picture, a fact also confirmed by a customer survey carried out by Sedus.

— Conversion of galvanic equipment to chromium III

Widely promulgated throughout the world today, the chromium VI chromium plating process is indeed cheap and simple; however, it is also extremely toxic and hazardous to health. Chromium VI compounds enter the body through respiratory tracts, are mutagenic and damage DNA.

Lower-risk chemical base substances able to replace the very much more toxic and hazardous chromium VI process have only really become available for the industrial process in the last few years.

Given that chromium VI is now already subject to extremely strict monitoring and is no-longer absolutely necessary for decorative application, Sedus has opted to take an environmentally friendlier and more future-proof route by switching to the use of chromium III, which is also safer to work with. The galvanic system at the Dogern plant is one of the largest in Germany and one of the first to successfully apply this distinctly more complicated process for series production.



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01 – 02: Whether a swivel chair or desk – chrome finishes account for one in three base mounts ordered by Sedus customers. This is not simply an aesthetic choice, but is also down to quality given that chrome surfaces are more robust and resistant to scratching.

Staff and training

THE FUTURE IN OUR HANDS

Demographic development is not the only reason why Sedus is particularly committed to the recruitment and training of young people. They are the bearers of hope for the future who, with the right development and aptitude, are able to master an increasingly complex daily routine.

— Vocational Orientation Day in Waldshut

For many years, the business schools in Waldshut have organised an informational event to offer students from the region an opportunity to gain insights into various job profiles and discover their vocation.

— Vocational Information Day in Bad Säckingen

For over 20 years, the Vocational Information Day in Bad Säckingen has been providing an opportunity to obtain information on the various qualified trades and institutes of higher education. Offering its range of study and training programmes, Sedus was also one of the 80 exhibitors represented.

— Nationwide Girls' and Boys' Day

In April, companies, schools, administrative offices and various other organisations invited youngsters from the 5th class onwards to the 2018 Girls' and Boys' Day. This event offers pupils an early opportunity to take a look at the professional and working world, primarily focusing on technical and scientific professions where female representation is somewhat low. Pupils gained an insight into the professions of toolmaker, technical product designer, electronics engineer, upholsterer, warehouse logistics specialist and system integration IT specialist.

— Trainees "GO FOR UK"

This initiative offers apprentices in the 1st and 2nd year of training from Dogern, Geseke and Owingen the opportunity to travel to England to gather work and educational experience and improve their language skills. Following a week at language school, each participant spent a week working in various firms. Trips to London and Exeter rounded off the programme, making the stay in Great Britain an unforgettable experience.

— Trainees "GO FOR US"

Following a comprehensive application process with the Fulbright Organisation, dual-system mechanical engineering student Marc Preiser was one of just 30 scholarship recipients from the whole of Germany awarded the opportunity to participate in a three-week study programme in Atlanta, Georgia, USA.





02



03

In seminars at the “Georgia Institute of Technology” he was able to improve his skills in English, communication, negotiation and presentation techniques, and also gain an insight into management behaviour and leadership style in an inter-cultural environment.

— Trainee group meeting

April saw Dogern host the trainee group meeting, to which all Sedus Stoll Group trainees were invited. Over three-days they had a unique opportunity to mutually get to know each other as well as the plant in Dogern.

From the Management Board and HR manager through to year-three apprentices, a comprehensive information and supporting programme package was on offer that provided intensive insights into the company and a number of captivating days that will long remain in the memories of all those involved.

— Parents visit the trainees in Dogern

In May, parents visited their youngsters’ training organisation for the first time to get to know their trainers and workplace. The opportunity was eagerly accepted and received overwhelmingly positive feedback from the parents. Business trainees gave a presentation of the company and conducted their parents through the plant. Later parents were able to speak directly with the training staff and find out more about the training.

01: Marc Preiser in front of the Technology Institute in Atlanta

02: Trainee group meeting of the Sedus Stoll group in Dogern

03: Sedus trainees with London Bridge in the background

Social aspects

COMMITMENT ON MANY LEVELS

The 2018 financial year again saw the staging of a number of public events and charitable donations, including special campaigns specifically targeted towards the health of our own employees.

Management first aid course

In February, the management of Sedus Stoll AG took part in a first aid course run by the German Red Cross (DRK) in Dogern. In addition to imparting the requisite theoretical and legal knowledge, the focus lay on practical exercise of the various measures and techniques for providing first aid to accident victims. The various stages offered training, for example, on rescue and resuscitation measures, different bandaging techniques and how to provide effective first aid to injured parties.

Health day in Dogern

May saw 85 employees take the opportunity to discover more about their health. To this end, Sedus Stoll AG had invited experts from the regional office of the AOK statutory health insurance service in Hochrhein-Bodensee as well as a lifestyle educationalist.

The high number of participants reflected the appealing events on offer during the day. In a workshop employees learnt about the links between nutrition and high blood pressure; while in another presentation health experts identified the ankle-brachial pressure index, which can indicate the risk of heart attack and stroke. Using special glasses, participants were also familiarised with levels of intoxication to calculate the extent to which alcohol consumption causes individual impairment.

AOK mobile health station visits Dogern

With its diverse range of initiatives, the health day in July also proved a resounding success. In one section AOK health experts demonstrated the maximum muscle power of the primary

muscle groups, while at another point employees enjoyed light-hearted training regarding mobility, concentration and mental fitness. Many employees participated in the entertaining programme conducted throughout the day.

Skin screening day at Sedus Stoll AG

In cooperation with health insurer B-A-D Gesundheitsvorsorge, March saw Sedus Stoll AG run a skin screening day in Dogern. Over 50 employees were examined for skin anomalies by a specialist doctor using an epiluminescence microscope. The skin screening day was a resounding success, with all available appointments booked out.

Skin cancer is one form of cancer that has increased comparatively rapidly in recent years. According to an estimate by the German Dermatology Society (Deutschen Dermatologischen Gesellschaft), the number of Germans diagnosed with skin cancer each year is over 100,000 – and rising.

New record number of competitors in the 6th Sedus RUN

This year saw almost 400 runners line up at the start of the popular company run around the Dogern plant, 72 of which were children taking part in the Kids RUN.

The “Tour around the Eulenhof” offering a tour of discovery to more than 20 adventure-seeking kids was also exceptionally well received, with the youngsters able to feed the chickens, munch on vegetables and harvest pumpkins. The Eulenhof supplies the Sedus canteen with fresh bio-vegetables all year round.



01



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— Jaaazz at the High Rhine

The 10th anniversary of the Sedus Dogern plant's cultural project was fittingly celebrated with a concert by duo Till Brönner and Dieter Ilg. In cooperation with the Waldshut regional cultural office, the series of concerts enriched the cultural programme on the High Rhine. Top-class acts from Scotland and Austria are scheduled for 2019.

— Donation to the Balthasar Children's and Youth Hospice

Instead of giving customer gifts, Sedus regularly donates to good causes – with this year's donation going to the German children's hospice association Bundesverband Kinderhospiz e.V. Holger Jahnke, Management Board spokesperson for Sedus Stoll AG presented the symbolic cheque for EUR 10,000 to Sabine Kraft at the plant in Dogern. In her capacity as managing director she has been supporting the German association with her professional competence since 2005. Personal experience contributed to becoming involved with children's hospices. In Germany approximately 40,000 children and young people are living with life-restricting illnesses, of whom around 5,000 die each year.

01: Sedus RUN achieves new record number of competitors

02: Holger Jahnke and Sabine Kraft upon presentation of the cheque

New products

ALL GOOD THINGS COME IN TWELVES

Boasting twelve new innovations, ORGATEC 2018 was not merely a quantitative record for Sedus. Amongst the innovations were two outstanding technical developments that perpetuate the history of the office swivel chair and which are synonymous with the innovative strength of the company.

— Swivel chair se:flex

The first self-adjusting swivel chair, specially designed for multi-user workstations. Thanks to its intelligent automatic weight system, the se:flex adjusts itself to different users when they sit down. The backrest follows every movement of the user, resulting in maximum freedom of movement and a healthy posture in all positions.

— Swivel chair se:motion

The first ergonomic office swivel chair that functions without traditional mechanisms thanks to the development of a new kinematic concept. se:motion is the perfect choice for modern office workers for whom desk-sharing and team-based co-operation are par for the course.

— Chair range se:spot

The se:spot model range combines a certain cosiness with perfect sitting comfort, making it a comfortable all-rounder for informal (team)work, cultivating contacts and relaxed meetings. The seat shell can be covered with innovative upholstery in next to no-time, offering additional design options.

— Sit-stand stool se:fit

With se:fit, Sedus has developed a versatile sit-stand stool which encourages users to move around and also facilitates agile sitting and leaning. Whether at a standing desk, work-bench or anywhere a sit-stand stool is practical, se:fit can be freely adjusted for height and easily carried around by its handle.

— Single desk get together

Wood elements add an air of cosiness to the office, an aspect that is gaining ever-increasing ground in smart working concepts as a balance to classical furnishing designs. In rounding off holistic design concepts, the single desk get together also lends a unity of form to, for example, managerial workstations.

— Expansion of the get together bench system

Sedus get together is one of the most frequently used bench systems, not least because it offers excellent flexibility and is ideal for fixed workstations or variable use. The comprehensive range of accessories and features has now been complemented by high-quality wood bases to create a cosier look.

— Double bench temptation smart twin

To enable employees using the team bench to quickly set their individually desired height, the temptation smart twin double bench has been equipped with electronically controlled height adjustment. In combination with temptation storage, the system offers a neat appearance with quick access to electric and data cables.

— Partition screens se:screen

The more open and communication-focused the world of work becomes, the more important privacy screen elements become. Sedus is also setting new standards in this area with its enhanced se:screen partitions and screens. The screens have strong visual appeal with their filigree frames and are also available in customised sizes.



Swivel chair se:flex



Swivel chair se:motion



Chair range se:spot



Sit-stand stool se:fit



Single desk get together



Expansion of the get together bench system



Height-adjustable double bench temptation smart twin



Screen elements se:screen



Room-in-room modules se:cube



Room-in-room system se:space



Space management system se:connects



Sedus colour collection 2019+

Room-in-room modules se:cube

Open-space areas and large offices are great when it comes to making the most of the available space. But what about when more concentrated work is required? In such instances, employees need the use of temporary spaces – to make calls, for meetings or simply to relax. Office cubes from Sedus have raised the benchmark in terms of assembly, acoustics and ambience.

Room-in-room system se:space

In the form of se:space Sedus offers a high-quality room-in-room system that can be flexibly extended as needed, whether for meetings, brainstorming sessions or video conferences. With well-thought-out furniture concepts and preplanned equipment solutions, the se:space system can be used in a whole host of situations.

Space management system se:connects

se:connects is an intelligent system for the management of workstations in smart working environments and combines a mobile app with intelligent IoT sensor technology. Launched at ORGATEC 2016, the system was further developed in cooperation with IT specialists Kapsch BusinessCom AG and equipped with new functions.

Sedus colour collection 2019+

The degree to which office workers are able to concentrate or relax is also influenced by stimulating colours and surfaces. This similarly applies to creative work and communication. The new Sedus colour ranges are harmoniously coordinated for various different work environments and can be intuitively combined.

Trade Fairs and Events

INTERNATIONAL PRESENCE

Sedus presented its range of services and new products at international trade fairs and dealer events in 2018.

Three Sedus showrooms were also redesigned and reopened within the scope of dealer and customer events.

— Clerkenwell Design Week, London

Each year at the end of May London plays host to the Clerkenwell Design Week, which attracts architects, designers, facility managers, decision-makers and managing directors from all over the world. Sedus unveiled the new Colour Collection 2019+ for the first time, haptically and optically bringing to life how colour, form and function can significantly contribute to atmosphere and well-being.

— Sedus @ Frame Lab, Amsterdam

In the shape of the Frame Lab, the German Business Interior Association (IBA) and Frame magazine presented a new event format in the form of a creative gathering of manufacturers, architects and designers. Accordingly, Sedus formed part of a programme in which, alongside innovative expositions and workshops, introductory presentations and insights into the work of architects and designers was offered.

— Index Workspace, Dubai

Traditionally held in May, the showcase exhibition is one of the world's most successful trade fairs for office, living and hotel space, at which the major international brands from the interior design and architectural sector are represented. Once again, this year saw Sedus present its own trade fair stand, showcasing new products relating to co-working and intermediate zones.

— Workplace Meetings, Cannes

Workplace Meetings is a trade fair for facility managers, purchasers and architects, which even before the exhibition actually opens provides a platform for highly qualified meetings between manufacturers and potential customers within the scope of business lunches. Sedus used the event to cultivate existing contacts, forge new relations and gather information on current projects.

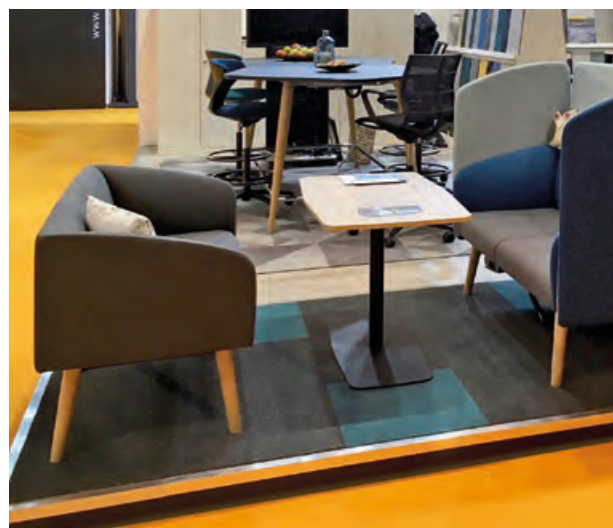
— Workspace Expo, Paris

In recent years, Workspace Expo has experienced significant growth as a showcase for the French market, in turn underscoring the dynamism of the office furniture sector and confirming how the workplace in its broadest definition is a focal point for companies. As one of a total of 200 exhibitors, Sedus presented new products and workplace concepts.





02



03

— BGM Occupational health management symposium, Munich

Over 200 managerial representatives from management, human resources and OHM attended the fifth annual occupational health management forum. This specialist conference also provides a platform for selected manufacturers and service providers to present their range of products for preventing healthcare issues in the workplace. Sedus comprehensively showcased its commensurate Sedus ergo+ preventative package products.

— Showrooms in Berlin, Hattersheim and Munich

In May, specialist dealers and customers were invited to the presentation of three newly redesigned Sedus showrooms. Boasting exhibition areas of between 330 – 480 m², each individual showroom has been conceived according to a perfectly coordinated design and new lighting concept. Not only did the numerous guests express their approval of the new showrooms, they also appreciated the inspired supporting programme.

— Sedus dealer and partner meeting, Milan

November saw the annual dealer meeting take place in Italy in the new ambience of the Spazio Gessi. Set against vertical gardens, coloured waterfalls and atmospheric background music, the innovations showcased at ORGATEC 2018 were presented to the Italian trade audience and underscored by specialist articles from two leading journalists of the office trade press.

01: Sedus Showroom in Dubai

02: Workplace Meetings, Cannes

03: Workspace Expo, Paris

MEETING POINT OF THE OFFICE FURNITURE WORLD

ORGATEC in Cologne represented the highlight of the business year for both Sedus and Klöber. Both Sedus Stoll Group brands were represented with their own exhibition stands at the world's number one leading trade fair for professional furnishing concepts.

— Sedus at ORGATEC 2018: Express your Genius

ORGATEC presented itself as a theme-based business event and core location for creative ideas and practical solutions. "A high-class event and congress programme attracted additional visitors, while also actively encouraging a total rethink of office work. The atmosphere amongst exhibitors and visitors was excellent, better than we've seen in a long time," wrote Koelnmesse in its concluding report.

In line with the motto "Express your Genius", covering 1,300-plus m² of area, the Sedus trade fair stand was transformed into an inspiring oasis of well-being and also employed the new colour concept 2019+ for the first time to the delight of architects and planners in particular.

Different areas of the stand were arranged as individual realms of colour that, in addition to the products themselves, also showcased and harmoniously merged elementary spatial areas such as ceilings, walls and floors as well as lighting and acoustics. On the central presentation area, trade fair visitors were able to take a hands-on approach similar to in a creative workshop and create their own colour realms using a whole host of materials, surfaces and structures. The new colour system is so brilliantly simple that even experienced planners and office interior designers were surprised by the outcome.

"Express your Genius" is a lot more than simply a trade fair motto. As a technology pioneer and office furniture specialist, Sedus has been deeply engaged with the "office of the future" through market monitoring and research, in particular in the areas of knowledge-work and learning environments. In cooperation with experts in education, brain research, psychology, experimental research, communication, architecture and design, Sedus is developing future-proof office landscapes that can be

rearranged according to use and need, and which offer users the freedom to develop their talents and truly unleash their potential.

At ORGATEC, Sedus not only aimed to perpetuate its history as a pioneer of ergonomics, but also to further its expertise as a furniture specialist for future-proof office concepts, thereby taking the trade protagonists by surprise with a total of twelve new products and product enhancements. The most significant of which were the two swivel chairs for modern, flexible workstations, an office cube system and a digital analysis tool to optimise office and workplace use. This digital analysis tool was developed by the staff at Kapsch BusinessCom AG, who also equipped the entire trade fair stand with state-of-the-art technology and demonstrated to perfection how media technology and video conferencing systems can shape everyday office life more efficiently at the highest level.

To sum up ORGATEC: With an increase of 14.7% to around 63,000 trade fair visitors, the event organisers were extremely satisfied. Over 4,700 registered discussions were recorded on the Sedus stand – a new record; while at the traditional Sedus party on the Thursday of the trade fair the estimated 1,700 guests equated to a 20% increase in visitor numbers.



The new Sedus colour concept creates a uniquely relaxing ambience

Trade Fairs and Events

PUSHING THE BOUNDARIES

Alongside ORGATEC, in 2018 Klöber launched the transnational project support concept in the form of decentralised network events, which were held in France, Austria and the Netherlands.

— Klöber at ORGATEC in Cologne

The industry's leading international trade fair once again provided the platform for five interesting and exciting trade fair days in Cologne. Initially redesigned in 2016, the arrangement of the approximately 400 m² Klöber trade fair stand remained essentially unchanged in terms of spatial distribution and the infrastructure of the stand assembly.

All the stand graphics were revamped, which in combination with the colourful cover materials of the exhibits, the colour concept of the floor and many other design elements, created a relaxing and inviting ambience at the stand.

The ideal platform from which to present trade fair highlights in the form of the mesh-backed Connex2, the Woom armchair, which caused a sensation with its app-controlled functions, and not least for the relaunch of ConWork. Repositioned as "Individualisation in all facets", Klöber has expanded the diversity of the ConWork range as a series model with exclusive custom configurations made to order.

Attracting over 1,100 guests from across the globe, Klöber was delighted to register a plethora of stand visits by purchasers and decision-makers from industry and service companies. Strategically important partners from Germany, the Benelux countries, Switzerland, France and Austria were almost entirely represented.

— "Vorarlberg Architecture" excursion

With Ambacht & Design as the subject matter, the "Vorarlberg Architecture" excursion was offered in June, which saw a total of eleven interior designers, architects, journalists and specialist dealers from the Netherlands take part. The two-day trip addressed examples of contemporary architecture in Vorarlberg including commensurate contact to building owners and/or architects, kicking off with a presentation and warm-up on the subject at the Klöber exhibition in Owingen. The excursion was accompanied and guided by the Vorarlberg Architecture Institute.





02

— Klöber Forum

In November, the theme of “Creativity and innovation” was broached by 18 Dutch interior designers and end-customers, who attended an evening event at the showroom of a retail partner to enjoy a get-together and presentation. Using the example of the new “Woom” well-being workstation, journalist Kitty de Groot explained how and in which kind of work environment companies can promote the joy of innovation.

— Meeting point Klöber: the power of colour

In September France played host to the Klöber power of colour meeting: “La rencontre Klöber: Le pouvoir des couleurs”. 20 architects, end-customers and retail partners gathered for a relaxed get-together within the framework of an evening event at Châteauform’ City Monceau Vélasquez in Paris. Châteauform’ is the leading provider of seminar and event locations and is furnished with Klöber office chairs. The “Power of colours” was reported on by Laurence Barbier of Color Navigator.

— Klöber Forum of Excellence 2018

The “Forum of Excellence” series of seminars was continued at the exhibition in Owingen in 2018. Encompassing a mixture of presentations, workshops, discussions and group tasks, Klöber organised a 10-date programme addressing a variety of current themes for retail partners and Klöber employees, including Communication in the digital age, Fit for the successful project, It’s time for speed dating, Improve sales with dedicated knowledge of ergonomics, Lighting: a communication process between people and the environment, The emotional significance of light in buildings, Relaxation – body language – breathing – voice, Klöber basics for specialist retailers.

01 and 02:
Impressions from ORGATEC,
Cologne

New products

INNOVATIONS FROM LAKE CONSTANCE

At the ORGATEC trade fair Klöber presented three new products: a combination of office chair and workspace under the name Woom, a mesh-backed version of the successful Connex model range and the 24/200 model as a control centre chair from the Moteo range.

— Connex2 swivel chair with new backrest

Characteristic in terms of development of the backrests are their innovative skeleton structure, the mesh and the new Lordomat® lumbar support. The Lordomat®, a world first, intelligently facilitates automatic height adjustment. It actively tracks every movement of the user and adjusts itself to specifically support the back in just the right place.

Thanks to the flexible structure of the backrest, the Lordomat® and its automatic mechanism, the Connex2 with mesh back is the ideal work swivel chair for open-plan offices and multi-user workstations. To relieve neck strain, the high-back version can also include an additional cushion. Colour-accentuated controls also enable intuitive user operation.

— Work + Room = WOOOM

The WOOOM concept was inspired by the terms “work” (conventional office equipment that facilitates practical work) and “room” (a relaxing and private sphere to promote creativity).

— Work – for maximum efficiency

WOOOM is available in two styles: with and without “wings”. The winged version of the chair is equipped with a dimmable LED reading light positioned above the shoulders, with the LED modules embedded deep within the backrest. The lenses and CRI 90+ light quality combined with tunable white technology deliver optimum light to the user area. The colour temperature can be individually defined by the user: a pleasant warm white is ideal for relaxation, while cold white promotes a stimulating working atmosphere. A generous pivoting tablet attached to the armrest also offers ample space for a laptop, smartphone, notebook and much more. The USB 2 connection built into the chair

allows for quick loading of all standard devices. All electronic functions can be easily operated via the app for iOS and Android terminal devices.

— Room – innovative comfort-enhancing functions

Yet WOOOM can do so much more and offers a whole host of comfort-enhancing functions. Klöber Klimatechnologie® climate technology ensures a pleasant feeling of well-being, with the user able to regulate the temperature of both the seat and back. The “quick heating” function is new and enables contact areas to be rapidly warmed up. Even greater relaxation is ensured through the three-zone massage function, with four settings to regulate the intensity in the upper back, middle back and lumbar region. The Klöber armchair is available in non-woven dark grey and light grey.



01



02

— Moteo Style 24/200

Special working environments need special solutions. Workplaces that are occupied 24 hours a day, seven days a week, need office swivel chairs that can meet the most stringent requirements when it comes to weight and adjustment capability. The new Moteo24 meets all these requirements and also looks good! All thanks to its award-winning design, new polished aluminium base and high-quality cover materials. The office chair can support a user-weight of up to 200 kg and is therefore suitable for any physique; moreover, with its optional climate technology, it even delivers the desired personal workplace temperature.



KLÖBER DESIGN AWARDS

In 2018, the office swivel chair Connex2 was distinguished with both the iF Design Award and the German Design Award.

01: Impressions from ORGATEC, Cologne

02: The new Woom chair

Supervisory Board and Board of Directors

SEDUS STOLL AG

Members of the Supervisory Board

Chairman of the Supervisory Board

Dr. Klaus Eisele, Stuttgart

Banker

Shareholder representatives

Ulrich Behrens, Wittnau

Auditor and Tax adviser

(Deputy Chairman)

Werner Blanke, Anröchte

Banker

Dr. Alfried Ederhof, Waldshut

Corporate consultant

Employee representatives

Herbert Ebner, Höchenschwand

Chairman of the Works Council of Sedus Stoll AG

Wolfgang Kautz, Geseke

Chairman of the Works Council of Sedus Systems GmbH

Members of the Board of Directors

Director of Marketing and Sales

Holger Jahnke

Waldshut

(Spokesperson of the Board of Directors)

Director of Technology and Development

Daniel Kittner

Stutensee

Director of Finance, Human Resources and IT

Carl-Heinz Osten

Müllheim

Report of the Supervisory Board

In the 2018 financial year the Supervisory Board fully exercised the tasks incumbent upon it by law, the company memorandum and articles and the rules of procedure. It monitored the Management Board control of the company and regularly advised the Management Board in relation to management of the company.

The Management Board continuously reported to the Supervisory Board in a timely and comprehensive manner – both in written and verbal form. In doing so the Management Board provided information on the progression of business as well as financial and economic performance. Furthermore, the Supervisory Board received a monthly report from the Management Board regarding the current net assets, financial position and results of operations of the Sedus Stoll Group as well as the individual companies, including any deviations between target and actual values and corresponding comments. The Supervisory Board was also advised of the order situation on a weekly basis. In addition, the chairman of the Supervisory Board discussed individual topics with the Management Board in the course of various phone calls and meetings.

Four Supervisory Board meetings were held in the 2018 financial year – two in the first half and two in the second half of the calendar year. With the exception of two meetings, all members of the Supervisory Board participated in the four face-to-face meetings of the Supervisory Board. The Chairman of the Management Board also attended these meetings. In these meetings, the Group's business development with regard to net assets, financial position and results of operations were discussed. Specifically, the object of consultation centred on examination and continuation of the strategic alignment of the company, with a focus on marketing and the product portfolio, sales alignment (also in consideration of online business) including competitive analysis and asset management. The various innovations and requisite technical facilities, including the comprehensive investment programmes in Dogern and Geseke, formed further elements of the meetings about which the Supervisory Board were comprehensively informed. Resolution was also ultimately effected regarding the restructuring of pensions, profit sharing and the funds invested in the company by employees. As guests, the four respective heads of Strategic

Purchasing, Product Management and Project Development Business, Group Logistics and Quality Management also each presented their comprehensive reports, which were then duly discussed.

In December, the Management Board put forward the 2019 annual and investment plan, which was comprehensively discussed and ultimately adopted.

The Investment and Personnel Committee met 25 times in the financial year 2018, for the first time on 28 February and the last time on 3 December 2018. Primarily, the items addressed centred on investment measures at the Dogern and Geseke locations, product development and the portfolio structure, options for Internet sales, financial assets, data security in relation to IT, 2019 planning and HR issues.

To the extent that approval of the Supervisory Board or its Investment and Personnel Committee was required for individual transactions in accordance with the memorandum and articles of association or the rules of internal procedure, the bodies in question examined and advised on the commensurate draft resolution and reached a decision.

In accordance with statutory provisions, the Supervisory Board issued an auditing mandate for the 2018 financial year to the auditor selected by the annual general meeting on 28 May 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Essen branch, and discussed the scope of the audit.

The Essen branch of the Frankfurt am Main-based auditing company PricewaterhouseCoopers GmbH audited the annual financial statements of Sedus Stoll AG and the consolidated financial statements as at 31 December 2018, as well as the management report of Sedus Stoll AG and the Group management report, and issued an unqualified auditor's report in respect of each.

On 21 March 2019, the Investment and Personnel Committee discussed the annual financial statements of Sedus Stoll AG for the 2018 financial year, the consolidated financial statements and the annual financial statements of German subsidiaries with the auditor and the Management Board.

All annual financial statement documents of Sedus Stoll AG, the Group and the proposal of the Management Board regarding the appropriation of profits as well as the audit reports of the auditor were made available to the Supervisory Board in a timely manner. At the Supervisory Board accounts review meeting on 29 April 2019, the Management Board elucidated the financial statements of Sedus Stoll AG and the Group in the presence of the auditor. The auditor reported on and provided detailed explanations of the findings of its audit, thereby confirming the high level of detailed knowledge and solid risk management of the Management Board as well as the consistent notification of the Supervisory Board in a timely manner. The audits carried out by the auditor and Supervisory Board revealed no irregularities.

The conclusive findings of the Supervisory Board examination did not give rise to any objections against the consolidated financial statements or Group management report prepared by the Management Board. The Supervisory Board has approved the annual financial statements of Sedus Stoll AG and the consolidated financial statements prepared by the Management Board; the annual financial statements of Sedus Stoll AG are thus adopted. The Supervisory Board also examined the proposal regarding profit appropriation which the Management Board intends to submit to the annual general meeting.

On behalf of myself and my Supervisory Board colleagues, may I take this opportunity to offer our sincere thanks to all our employees for their energetic commitment. Our thanks also to the Management Board for its continued extremely successful work and trustworthy cooperation throughout the past financial year.

Waldshut, 29 April 2019

The Supervisory Board



Dr. Klaus Eisele
(Chairman)

Report of the Board of the Directors and Group Management Report of Sedus Stoll AG for the 2018 financial year

1. STRUCTURE, BUSINESS MODEL AND MARKET ENVIRONMENT

Sedus Stoll AG is one of the leading European manufacturers of modern office equipment and communication furniture.

The production facilities of the company, which was founded in 1871 and has its head office in Dogern, are located in Dogern and Geseke. Office chairs and partitions are manufactured in Dogern, with office and conference furniture produced at the subsidiary **Sedus Systems GmbH** in Geseke. Products bearing the Sedus brand are sold directly via the parent company in Germany, **eight European subsidiaries** and also **through direct export** via 50 agencies worldwide.

Sedus brand products and services are sold in furniture stores all over the world, while major customers are also served and supplied by Sedus directly.

The Sedus Stoll Group also includes **Klöber GmbH**, an internationally operative manufacturer of high quality office seating products based in Owingen on Lake Constance. Distribution occurs under the Klöber brand name via office furniture stores in selected European countries.

2. VALUE-ORIENTED MANAGEMENT

Value-oriented management of the Sedus Stoll Group is conducted on the basis of the **economic value added** calculated as the product of the established ROI (return on investment) less the commensurate WACC (weighted average cost of capital) and multiplied by the interest-bearing capital employed. In terms of short-term operational management, this specifically considers commensurately contributing key indicators such as turnover, EBIT and ROCE. **Net income for the financial year** and **return on equity** form the primary balance sheet and P&L-based management ratios.

In its capacity as a production and sales company, orders received, turnover and sales conditions granted are the fundamental management ratios of operating business for the Sedus Stoll Group. To enable timely evaluation of the development of such, these ratios are communicated and analysed on a daily basis. In addition, a detailed comparison of planned and actual costs and other values affecting earnings is performed on a monthly basis. The achievement of targeted results is continuously monitored using the key indicators of EBIT and consolidated net income for the financial year.

Management of the **financial situation and assets**, along with key indicators on the development of various capital-forming items such as inventories, receivables and investments, serve as financial management tools used to regularly determine the liquidity requirement of group companies and cost-effectively and sustainably cover such within the scope of central group-wide cash management.

To ensure timely control of target achievement, a standard reporting system is employed by all business units.

3. MACROECONOMIC CONDITIONS

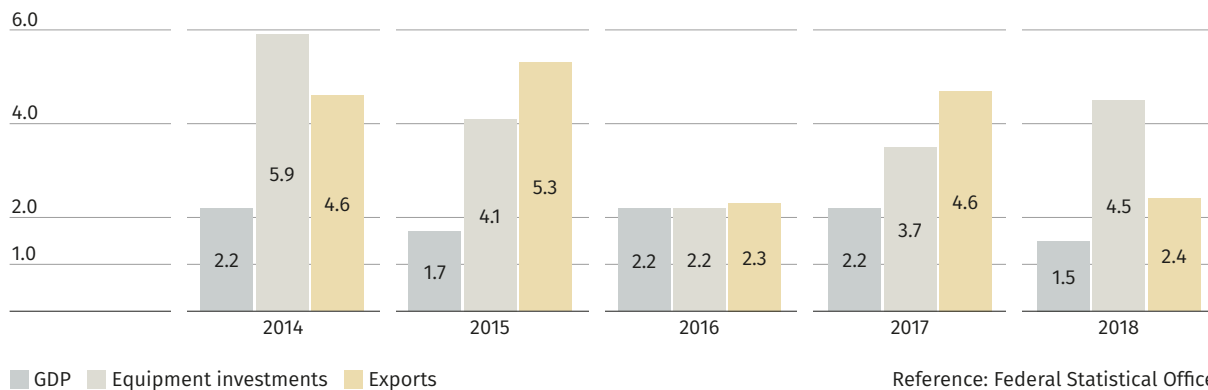
Despite manifold political and economic tensions in a number of regions, growth in the **global economy** in 2018 of 3.8% maintained a similar pace to that of the previous year. Whereas in the USA the growth-hampering impact of trade tensions and other political shocks were compensated by the stimulative effect of extensive tax cuts, the negative impact on the economy in Europe overall and particularly in German was clearly felt.

Nevertheless, the positive development of the **German economy** continued in 2018, albeit at a distinctively slower pace. The rate of growth of **gross domestic product (GDP)** fell discernibly by -0.7%-points to 1.5%, in particular as a result of the negative effects felt in the second half of the year. A major factor of influence in this respect was the significantly subdued level of exports, primarily due to a decrease in supplies to China and Turkey, which posted a marked reduction in growth of just 2.4% against the previous year's figure. Moreover, growth in the level of **private consumption** also fell from 1.8% in the previous year to just 1.0%, essentially owing to the increased oil price and problems encountered by automotive manufacturers in certifying their models in the second half of the year. In contrast, however, **investments in plant and equipment** bucked the trend to post an increase of 4.5% against the previous year's level. Specifically, the main reasons for this were the high industrial utilisation, the increasing shortage of skilled personnel and the resulting pressure for rationalisation.

The development of key economic data in Germany is illustrated in the following diagram:

NATIONAL ECONOMIC INDICATORS FOR GERMANY

in % from the previous year



The economy in the Eurozone also slowed, albeit at a lesser pace than in Germany. GDP growth tailed off from 2.4% in 2017 to 2.1% in 2018. The respective causes and effects on domestic demand and exports of individual countries were essentially the same as in Germany. While in France the initiated structural reforms have not yet shown the desired success and the measures introduced have increasingly met with resistance from the population, in Italy the urgently required economic recovery was discernibly impaired by the economic and social policy ideas of the new government.

In the face of ongoing discussions and negotiations on Brexit that have already been going on for more than two years and the imminent exit, GDP growth in the UK amounted to just 1.3%. At the same time, company investments fell slightly owing to the uncertainty associated with Brexit.

In contrast, Switzerland recorded growth in GDP of 2.6%. In addition to a marked increase in investments in plant and equipment, the growth impetus stemmed from increased exports due to a comparatively weak Franc in the first half of the year.

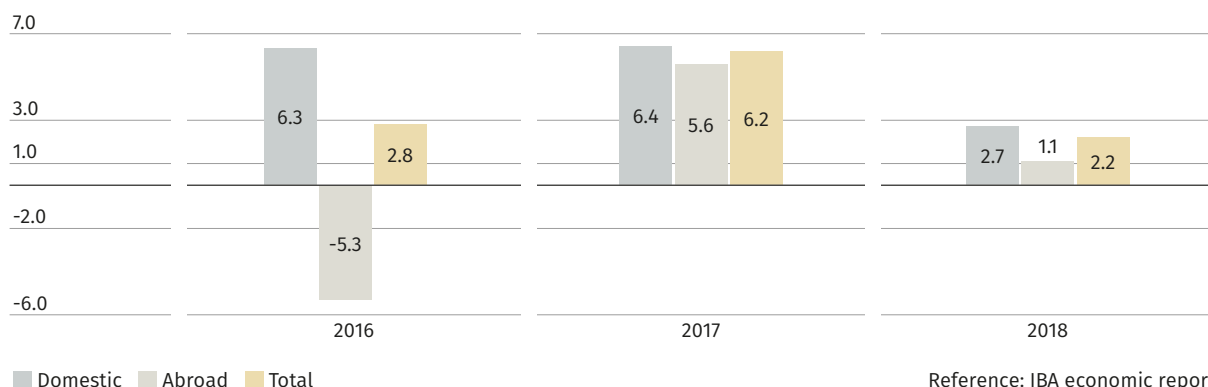
4. DEVELOPMENT OF THE OFFICE FURNITURE MARKET

Despite the rise in investments in plant and equipment again apparent in 2018, the various political and economic effects hampering the economy impacted negatively on the office furniture market.

At a level of 2.2%, in comparison to the previous year growth in the overall volume of orders for office chairs and furniture of companies affiliated to the German Business Interior Association (IBA) was considerably more restrained

CHANGE IN MARKET VOLUME ACC. TO BSO INCOMING ORDERS – TOTAL

in % from the previous year



in the year under review. In this respect, the rate of growth of domestic sales more than halved to 2.7%, while at a figure of just 1.1% growth in exports fell well short of the respective level for the previous year.

Sales performed better to record a total growth of 4.4% (previous year: 3.2%), of which 3.8% were domestic and 5.9% international, evidently as a result of a higher number of existing orders at the end of 2017.

Compared to the previous year, the **office seating market** was subjected to a clear downturn and declined by a total of -1.3%. Posting a drop in sales of -3.2%, domestic performance played a decisive role in this respect and was unable to be offset by the modest increase in exports of 1.7%.

Despite a slight reduction against the previous year in the growth rate of 5.8%, the market performance for **office furniture** remained buoyant within the overall picture. In

contrast to the seating market, this segment posted further robust domestic growth of 7.1%, while exports stagnated somewhat at the level of the previous year.

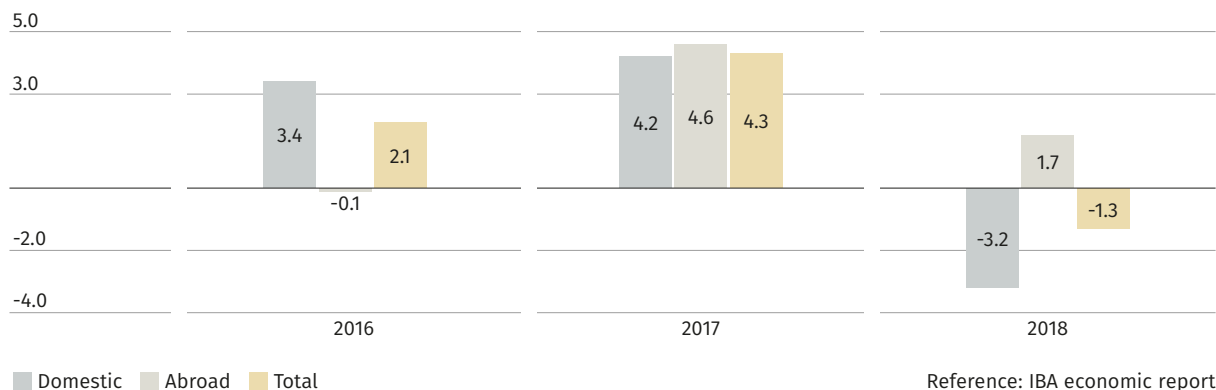
At 27.4%, the **export ratio** for incoming orders remained around the level of the previous year (27.7%). Respectively, the ratios for the office seating and office furniture segments were 38.8% (previous year: 37.6%) and 16.8% due to stagnating exports (previous year: 17.8%).

5. DEVELOPMENT OF THE BUSINESS UNITS

With growth in overall market volume for office furniture (according to IBA) of 2.2%, the Sedus Stoll Group successfully increased commensurate **incoming orders** (excluding trade goods) by 5.3%, in turn enabling it to consolidate its market position. The comparable **growth in turnover** amounted to 10.4% as compared to market growth of 4.4%.

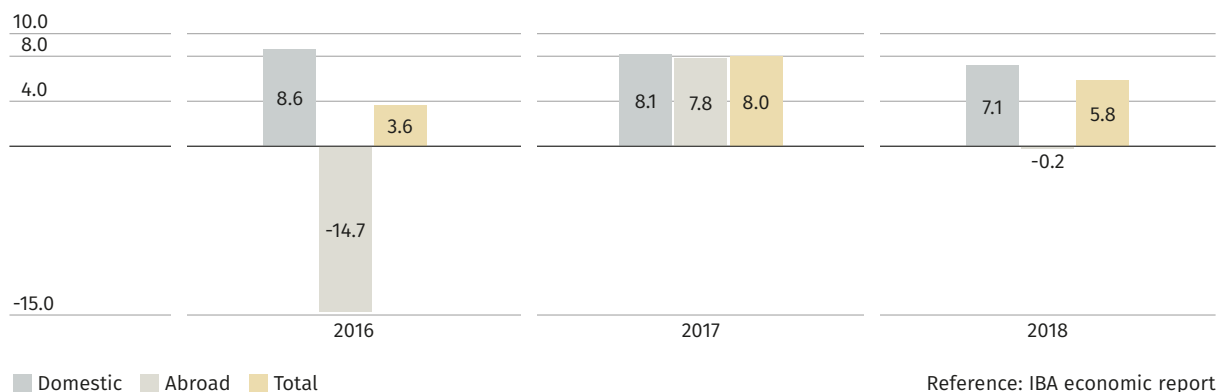
CHANGE IN MARKET VOLUME ACC. TO BSO INCOMING ORDERS – OFFICE SEATING FURNITURE

in % from the previous year



CHANGE IN MARKET VOLUME ACC. TO BSO INCOMING ORDERS – OFFICE FURNITURE

in % from the previous year



The development of **incoming orders** of the Sedus Stoll Group according to brands and product areas shows the following picture:

INCOMING ORDERS SEDUS STOLL GROUP
in EUR million

Trade goods	5.8	6.2	5.1	6.5
Klöber	21.3	22.4	20.2	20.5
Sedus Systems	66.8	65.2	76.2	85.9
Sedus Seating	95.0	96.7	100.0	100.5
	188.9	190.5	201.5	213.4
	2015	2016	2017	2018

Sedus Seating

The seating product segment registered a slight increase in orders received totalling 0.5%, a figure which nonetheless contrasted positively against the market performance for office seating by 1.8%-points.

Whereas incoming orders in Germany fell by -4.8% to EUR 52.3 million against the previous year owing to a major contract and increased framework agreement volume in 2017, the respective international figure showed a marked increase of 7.0% to EUR 48.2 million.

Incoming orders continued to develop positively in the **European subsidiaries** and registered an increase of 6.0% to EUR 41.9 million against the previous year. Our sales companies in Italy and Spain recorded exceptional development, attaining growth in orders of over 35.0% as a result of successful projects. The companies in the Netherlands and the UK also achieved increases in orders received in excess of 10.0%. In the other markets we were forced to accept slight falls, specifically in France following on from considerable project business observed in the previous year.

In the **direct export markets**, incoming orders rose by over 14.0% to EUR 6.3 million, primarily thanks to the attainment of new sales partners in the Scandinavian countries.

Sedus Systems

As was the case in 2017, in the year under review the Sedus Stoll Group again registered significant growth in the volume of orders for the systems product segment. At 12.6%, this figure significantly outstripped the 5.8% growth in market volume.

Once again **domestic business** was the driver behind the increase in order volume of 16.1% to EUR 48.9 million, in particular as a result of a series of major projects.

On the **international platform**, the positive trend in incoming orders also continued over the last year, increasing 8.4% to EUR 36.9 million.

In this respect, the **European subsidiaries** achieved a 7.6% increase against the previous year to EUR 34.7 million. Also outstanding was the project-related growth attained in Italy, the Netherlands and Belgium. Development in France was similarly positive. Unfortunately, the companies in the UK, Switzerland and Spain were not quite able to add to their good results in the previous year.

At EUR 2.2 million, an increase of 22.9% against the previous year's figure, incoming orders for **direct exports** were significantly up on last year – primarily driven by project orders in Dubai.

Up 7.6%, the value of incoming orders of EUR 85.1 million for the export segment as a whole again represented a considerable increase against 2017. Accordingly, the **share of exports** in relation to incoming orders of the Sedus subgroup (excluding trade goods) stood at 45.7%, equating to a 0.8%-point increase based on the slightly lower domestic order growth.

Klöber

Klöber could only benefit to a limited extent from the generally positive economic development achieved in the 2018 financial year. Nonetheless, the negative development of incoming orders was halted and slight growth of 1.5% against the market performance for office seating products (-1.3%) was also achieved. In this respect, incoming orders in **Germany** matched the previous year's level, while a modest increase of 7.4% was attained in the **export segment**. The **share of exports** stood at 27.8%.

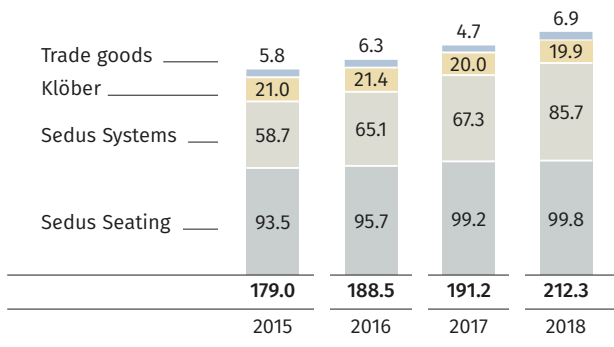
The vacancies available in a number of sales regions at the start of the year were subsequently occupied for the most part in the course of the year.

The Klöber brand strategy was consistently pursued. Accordingly, Klöber presented itself with a fresh trade fair presence at ORGATEC and celebrated the unveiling of a number of product innovations at the trade fair; not least the newly developed swivel chair Connex2 with mesh back and the Woom armchair. The new products were extremely popular, resulting in numerous orders being registered and specification of the new innovations in project tenders.

6. EARNINGS

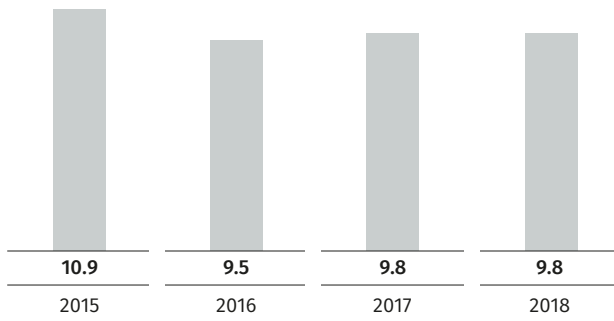
Turnover of the Sedus Stoll Group (including trade goods) stood at EUR 212.3 million, an increase of +11.1% (EUR +21.1 million), and applied to the individual business units as follows:

SALES SEDUS STOLL GROUP (less prompt payment discounts)
in EUR million



Consolidated net income amounted to EUR 9.8 million and, as such, remained at the level of the previous year (EUR 9.8 million).

ANNUAL SURPLUS FOR THE SEDUS STOLL GROUP
in EUR million



Taking into account an inventory reduction of EUR -0.2 million (previous year: inventory increase of EUR +1.1 million) and own work capitalised of EUR +0.2 million (previous year: EUR +0.2 million), **total operating revenue** rose by +10.3% to a figure of EUR 212.3 million (EUR +19.8 million).

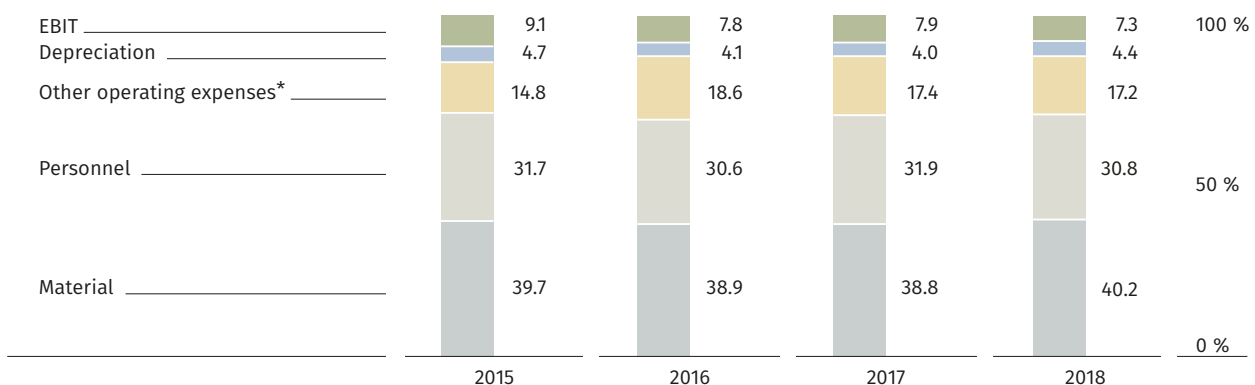
At EUR 1.9 million, **other operating income** was around the level of the previous year (EUR 2.1 million) and primarily includes income from the reversal of provisions (EUR 0.7 million), in particular for process risks and costs, and for various other provisions as well as income from the reversal of individual and general value adjustments (EUR 0.5 million), primarily from the reversal of individual value adjustments in respect of receivables in France. Also included in this item are EUR 0.4 million in currency translation gains.

The **cost of materials** rose in comparison to the previous year by EUR +10.8 million (+14.4%) to EUR 85.3 million, with the respective rise disproportionately higher than overall performance (+10.3%). Despite ongoing product-related cost reduction projects, the **gross profit margin** dropped from 61.3% to 59.8% as a result of increased raw material prices and an increase in the share of more material-intensive products. Also impacting in this respect was the high share of turnover from projects, framework contracts and trade goods and the associated high discounts on systems and seating products.

As a result of salary and wage increases implemented in 2018, personnel expansion domestically and internationally as well as higher deployment in production, **personnel costs** rose overall by EUR +4.1 million (+6.6%) compared to the previous year. The personnel expenses ratio in relation to gross performance fell by -1.0% to 30.9%.

PROFIT AND LOSS STATEMENT STRUCTURE

Ratio of expenses/EBIT to total operating revenue



* Other operating income netted against other operating expenses.

At EUR 8.3 million, the **provisions for depreciation, amortisation and write-downs** were higher than the previous year's level of EUR 7.7 million. Essentially, this is the result of investments undertaken by Sedus Systems GmbH and the unscheduled amortisation of disclosed hidden reserves of Klöber GmbH effected in the financial year.

Other operating expenses rose in comparison to the previous year by EUR +2.8 million (+7.8%). Particular factors in relation to this item were higher maintenance expenses within the scope of renovations at the Dogern and Geseke locations (EUR +1.3 million), increased advertising and marketing costs (EUR +1.3 million), primarily in connection with participation in ORGATEC held during the financial year, as well as higher costs for freight (EUR +0.5 million) owing to the considerable increase in delivery volume. This was countered by lower additions to individual and general value adjustments (EUR -0.5 million).

Group EBIT rose by EUR +0.5 million to EUR 15.7 million compared to the previous year (7.4 % of turnover), influenced by the increase at Sedus Systems GmbH to EUR 5.4 million (previous year: EUR 3.9 million). In contrast, Sedus Stoll AG inclusive of the foreign sales companies posted a slight fall to EUR 9.6 million (previous year: EUR 10.0 million), while Klöber GmbH recorded a drop to EUR 0.7 million (previous year: EUR 1.3 million).

Amortisation of financial assets of EUR 1.1 million result from an adjustment of the balance sheet value of securities held as fixed assets in the course of price development on the financial markets on the reporting date.

Interest and similar expenses of EUR 1.2 million (previous year: EUR 1.0 million) primarily relate to expenses from accrued interest on non-current pension provisions.

Income tax expenses of EUR 4.0 million are mainly in relation to the 2018 financial year.

7. APPROPRIATION OF PROFITS

Sedus Stoll AG achieved a **net income for the financial year** of EUR 2.7 million in 2018. At the annual general meeting on 3 June 2019, from the net profits for the year of EUR 2.8 million as at 31 December 2018, the Management Board and Supervisory Board will propose a dividend payout of EUR 2.4 million, with the remaining amount of EUR 0.4 million to be carried forward to new account.

8. ASSET AND CAPITAL STRUCTURE

The consolidated balance sheet total rose in comparison with the previous year by EUR +11.0 million to EUR 161.5 million.

The change in assets is the balance resulting from the increase in tangible assets and intangible assets (EUR +7.3 million) and financial assets (EUR +22.9 million), and the decrease in current assets and other assets (EUR -19.2 million).

The increase in **intangible assets** (EUR +0.6 million) primarily relates to investment in external development of the "se:connects" software and SAP tour planning software.

The increase in **tangible assets** by a total of EUR 6.7 million was predominantly due to prepayments and assets under construction within the course of the new construction projects at Sedus Stoll AG in Dogern and at Sedus Systems GmbH in Geseke.

Financial assets totalling EUR 22.9 million relate to investments in investment products effected in the financial year, which are valued at the market or officially quoted price on the reporting date.

Overall, **fixed assets** amounted to 48.3% of total assets (previous year: 31.8%) and, as previously, are financed in full by equity capital.

Inventories rose by EUR +0.8 million (+5.0%) against the previous year; as such the respective rise is disproportionately lower than the development of gross revenue (+10.3%). To some extent this was the result of a higher inventory of raw materials, consumables and supplies of EUR +0.8 million (+7.6%) as at the balance sheet date, in particular for new products launched within the scope of ORGATEC. While inventories of work in progress rose slightly by EUR +0.1 million against the previous year, the figure for finished goods and products fell by EUR -0.2 million compared to that posted for the previous year.

Trade receivables rose in comparison to the previous year by a total of EUR +0.1 million (+3.5%), in particular as a result of an increase in receivables in the United Arab Emirates, the Netherlands and Belgium.

The increase in **other assets** of EUR +0.8 million was caused in part by the higher tax refund claims from overpayments of corporation tax and trade tax (EUR +0.3 million).

Liquid funds reduced by EUR -22.9 million, in part owing to the purchase of investment products.

BALANCE SHEET STRUCTURE

in EUR million

Assets

Tangible assets/ intangible assets	47.8	55.1
Financial assets		22.9
Inventories	15.0	15.8
Receivables/other assets	32.0	34.9
Liquid funds	55.7	32.8
	150.5	161.5
	2017	2018

Liabilities

	82.7	90.0	Equity
	42.1	48.7	Provisions
	25.7	22.8	Liabilities/ other liabilities
	150.5	161.5	
	2017	2018	

The change in deferred taxes of EUR +0.9 million primarily resulted from recognition of greater differences for personnel provisions (specifically for pension obligations) contained within the commercial and tax balance sheets.

Based on the consolidated net profit for the year of EUR 9.8 million, equity rose from EUR 82.7 million to EUR 90.0 million. As a result, the equity ratio stood at 55.7% in comparison with 54.9% in the previous year.

At EUR 48.7 million, the provisions were significantly higher than the previous year's level (EUR 42.1 million). In essence, the increase of EUR +6.6 million resulted from an increase in pension provisions and similar obligations of EUR +6.0 million applied within the scope of pension commitment restructuring, which provides for the inclusion of proportions of employee profit sharing and management bonuses in pension commitments. In addition, provisions for corporation and trade taxes increased by EUR +1.1 million, in particular in relation to the current financial year, while other provisions fell on balance by EUR -0.4 million. Primarily, this was due to lower provisions for partial retirement (EUR -0.4 million), process risks and costs (EUR -0.2 million), bonuses and sales commissions (EUR -0.1 million), against particularly high holiday and flexi-time provisions (EUR +0.2 million).

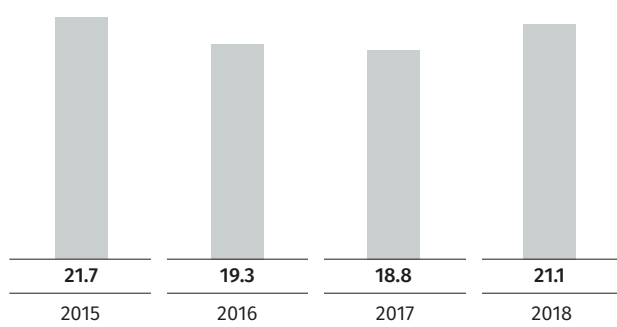
Liabilities fell in comparison with the previous year by a total of EUR -2.9 million. On balance, this performance is the result of reduced liability to banks (EUR -1.6 million) as a result of scheduled repayments and a lower level of prepayments received on customer orders (EUR -0.5 million). Trade payables were up as at the reporting date (EUR +2.0 million), specifically in connection with new construction and renovation work at the Dogern location and the higher stockpiling of raw materials, consumables and supplies. Other liabilities fell in comparison to the previous year by a total of EUR -2.8 million. Essentially, this item includes liabilities of EUR 3.5 million to employees within the scope of profit sharing (previous year: EUR 5.9 million) and EUR 1.1 million in liabilities from staff loans (previous year: EUR 1.7 million). The reduction in liabilities to employees with regard to profit sharing in comparison to last year is due to the inclusion of proportions of profit sharing in the pension commitments.

9. GROSS CASH FLOW AND CASH FLOW STATEMENT

With consolidated net income on the level of the previous year, higher non-cash write-downs owing to value adjustments on financial investments and greater increases in pension provisions gave rise to a cash flow figure of EUR 21.1 million, which is subsequently higher than that of the previous year (EUR 18.8 million).

GROSS CASH FLOW

in EUR million



The current course of business resulted in a funds inflow of EUR 21.0 million (previous year: EUR 14.9 million). In essence, this is down to the increased cash flow, an increase in other provisions, a smaller rise in inventories in comparison to the previous year and an increase in trade receivables, which posted a reduction in the last financial year.

With a figure of EUR -24.3 million, the cash outflow from investing activities rose by EUR -22.4 and was therefore significantly higher than the figure for the previous year (EUR -1.8 million). Essentially, at EUR -25.3 million this related to investments in financial assets within the scope of investment assets and increased payments for investments in intangible and tangible assets of EUR -15.8 million (previous year: EUR -9.2 million) against, in particular, higher in-payments from expiring fixed deposits of EUR +15 million (previous year: EUR +7.0 million).

The cash outflow from financing activities of EUR -4.6 million (previous year: cash inflow of EUR +2.4 million) resulted from the scheduled repayment of loans to banks of EUR -1.6 million (previous year EUR -0.6 million), interest paid of EUR -0.5 million (previous year: EUR -0.3 million) and the dividend payout for the financial year of EUR -2.4 million (previous year: EUR -2.1 million). Moreover, the cash outflow from financing activities in the previous year included a deposit from assumption of a loan in connection with construction work at the Dogern location of EUR 5.5 million.

Overall, cash and cash equivalents fell by EUR -7.9 million to EUR 19.5 million.

The cash flow statement is condensed as follows:

CASH FLOW STATEMENT	2017	2018
in EUR million		
Net cash provided by operating activities	14.9	21.0
Net cash used in investing activities	-1.8	-24.3
Cash outflow/inflow used in financing activities	2.4	-4.6
Currency differences	-0.1	0,0
Change in the financial resources	15.4	-7.9

10. INVESTMENTS

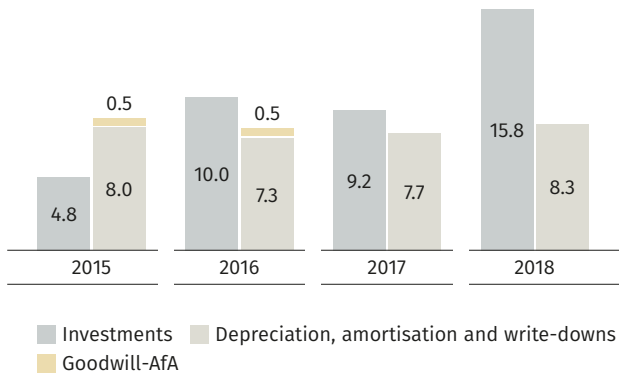
Investments by the Sedus Stoll Group in tangible and intangible assets in the 2018 financial year amounted to EUR 15.8 million, a significant increase against the previous year's level. In addition, funds of EUR 25.3 million were also invested in financial assets via asset management.

Total investments of EUR 12.9 million were effected at Sedus Stoll AG. Focal points of investment amounting to EUR 8.0 million, as in the previous year, centred on various building measures and not least the new construction of the administration facilities within the scope of the "we move" project and extension of the shipping and production areas. In addition, EUR 1.8 million was invested in tools for new products, with a further EUR 1.2 million spent on hardware and software for the computer centre within the scope of the switch to SAP-HANA. Other major projects were the investment of EUR 0.6 million for external development of the se:connects business software, procurement of a new tour planning software at a cost of EUR 0.5 million, as well as a robot for automatic placement onto the tube laser system accounting for EUR 0.3 million.

In the financial year Sedus Systems GmbH invested EUR 1.9 million, whereby the focus lay with EUR 0.5 million on the new construction of a multi-functional building and renewal of the smoke/heat extraction systems in parts production. In addition, EUR 0.3 million was invested in technical equipment and the vehicle fleet.

Investments of EUR 0.7 million were effected at Klöber GmbH, with the focus on the procurement of tools for new production at a cost of EUR 0.2 million.

INVESTMENTS AND DEPRECIATION, AMORTISATION AND WRITE-DOWNS (excluding financial assets)
in EUR million



11. QUALITY MANAGEMENT

Within the scope of the annual monitoring audit conducted by TÜV and the various internal audits, the effectiveness of the **quality management system** in accordance with DIN EN ISO 9001:2015 was assessed and once again confirmed for all the German locations of the Sedus Stoll Group; moreover, the system was further improved on the basis of the respective audits.

Quality performance of the Sedus Stoll Group is constantly checked both internally and externally within the scope of our market monitoring and, despite a slight reduction in individual areas, remains on a high level. Against the background of the restructuring and significant growth in sales observed in the past year this presents a positive picture, a fact also confirmed by a customer survey carried out by Sedus.

12. ENVIRONMENTAL MANAGEMENT

In the 2018 reporting year, external **recertification audits** for the energy and environmental management system in accordance with DIN ISO 14001 (environmental management) and DIN ISO 50001 (energy management) were conducted at all German locations of the Sedus Stoll Group, while PEFC and FSC certification (sustainable forest management) was carried out at the location in Geseke. In addition, validation in accordance with EMAS III was also conducted (at Sedus Stoll AG only). To this end, all locations have demonstrated that a functioning environmental management system in accordance with the requirements of the pertinent regulations and standards has been implemented and maintained.

Achievement of the objectives of the environmental management system in accordance with ISO 14001, the energy management system in accordance with ISO 50001 and all pertinent legislation has been confirmed by the external appraisers. The same applies to the continuous improvement of energy and environmental performance.

13. SUSTAINABILITY MANAGEMENT

We focus on long-term economic success, whereby ecological and social aspects play an important role. This is addressed through the careful use of natural resources and acceptance of our social responsibility, such as creating attractive jobs in an appealing environment. We know our stakeholders and strive to exceed their requirements and expectations over and above the pertinent legal obligations. These requirements are determined periodically and updated if necessary. Amongst other things, dialogue with the specialist dealers was undertaken in the period under review to ascertain concerns and implement initial action.

Within the scope of participation in the **United Nations Global Compact**, the first progress report (COP) was published in the period under review, which reports to the United Nations the targeted themes and progress achieved on the issues of human rights, labour standards, the environment and anti-corruption.

14. DEVELOPMENT OF NEW PRODUCTS AND DESIGN AWARDS

The focus of development activities in 2018 centred on the market launch and simultaneous safeguarding of the supply capability of products presented at ORGATEC 2018.

Sedus Seating

The **se:motion** swivel chair adjusts to any user weight, offers outstanding ergonomics and functions without the aid of mechanical systems. Its motion concept is founded on a structure reduced to the essential, that tracks the natural movement of the user to offer comfort and simplicity of use and makes it ideal for application in agile work environments. The optional seat and backrest upholstery can also be simply added later, allowing an individual look to be created at any time.

se:spot is an ergonomic multi-purpose chair with living space aesthetics and is available in three frame and colour options. The chair promotes an active working posture and combines a certain cosiness with sitting comfort to open up a broad area of application. As such, **se:spot** is an ideal all-rounder for informal teamwork, cultivating contacts and relaxed meetings. The optional seat and backrest upholstery can also be simply added later, allowing an individual look to be created at any time.

se:flex automatically adjusts to the user's weight and offers all the comfort features of a functional swivel chair that is simple to operate.

Thanks to the automatic weight system, **se:flex** is ideal for use in non-territorial offices as well as individual workstations.

The innovative spring element that unites the backrest with the support frame and the integrative design of the armrests, which track the movement of the user, all combine to ensure ideal support with maximum freedom of movement.

Offering a wide range of settings for adjustment of the seat and standing height, **se:fit** is the ideal stool and standing support for a whole host of application areas, such as spontaneous coordination sit-downs at the workstation, stand-up meetings, as a temporary alternative to a swivel chair or as a sitting or standing support at height adjustable workstations. The tiltable base allows for intuitive movement and changes in posture, while the ergonomically shaped seat and non-slip base ensure secure traction at any height.

With its digital application **se:connects 2.0**, for the first time Sedus is offering a solution for the use and management of workstations within a modern, non-territorial office environment. Being able to freely select workstations

according to the task in hand and preference is fundamentally changing the way in which we work. Jointly developed by Sedus and Kapsch, in combination with state-of-the-art IoT sensor technology the mobile app allows employees to find and book a vacant workstation or room that is suitable for the task in hand using the in-house-developed app. The facility management also receives anonymous but extremely useful data, which can then be applied to ensure a more efficient design and use of space.

Moreover, the successful range of **black dot** swivel chairs has been supplemented with an additional version boasting a 3-D knitted fabric specially developed for the black dot air, which not only enhances air circulation in the back area, but also optically redefines the look. The opaque "AIR KNIT" membrane combines the recognised advantages of a mesh membrane with the soft "sink-into" sensation and perfect support of full upholstery.

Sedus Systems

Development activities in 2018 primarily focussed on the development of a new electromotive **work table**, which was designed in collaboration with a high-performance supplier. During the development process, all components and functions were constantly optimised to produce an outstanding system of smooth-running, yet extremely durable lifting columns, together with new, innovative operating elements and solid, well-designed control technology to produce a system featuring all the various options required by the market.

A further focus of attention was devoted to the **room-in-room systems**. Accordingly, two new systems were presented at ORGATEC in October and were extremely well received by our customers. One of the two systems was designed in-house in cooperation with an outstanding and innovative supplier.

The theme of RFID locking systems has also been expedited and is now included in the product portfolio.

Further development activities include general product maintenance, necessary portfolio additions and the optimisation of existing products.

Sedus design awards

Successfully launched on the market in the 2nd quarter of 2017, the light conference swivel chair **se:joy** was distinguished with the IF Design Award 2018 and the Red Dot Award: Product Design 2018.

At ORGATEC the **se:motion** swivel chair was merited with a "Special Mention" by the jury of the Architecture + Office Innovation Award and, consequently, was the first of the new 2018 products to receive a design award.

Klöber**Woom**

In 2018, by combining an office chair and workspace, Klöber created a self-sufficient workstation in the form of a chair that can be easily moved and placed around the room. The compressed self-supporting shell made from innovative polyester non-woven material is the load-bearing structure and cover all in one. As desired, the design can be complemented by a technical package that uses smart-phone operation to regulate comfort functions such as light, ventilation and massage features.

Connex Netz

The Connex model series has been complemented to include a mesh-backed design. Available in two backrest heights with a lightweight construction resembling an architectural load-bearing structure, the mesh back accommodates a lumbar support that automatically adjusts to the user, enhancing the user-friendliness of the chair which is uncompromisingly designed for simplicity of operation.

Moteo 24/200

Complemented with Klöber ventilation technology, the Moteo swivel chair range was presented as a control centre chair. Accordingly, the tried and tested ventilation technology of the Mera Klimastuhl task chair has been integrated into a slightly modified Moteo swivel chair to fulfil the particular requirements of control rooms.

Klöber design awards

In 2018, the Connex from Klöber was distinguished with the iF Design Award and the German Design Award.

15. EVENTS AND TRADE FAIR ATTENDANCE

The presentation and market launch of numerous new products formed the focus of events and trade fairs attended in 2018.

For Sedus and Klöber alike, the office trade fair ORGATEC in Cologne represented the highlight of the business year. Both brands of the Sedus Stoll Group were represented with their own exhibition stands at the world's most important leading trade fair for professional furnishing concepts.

Sedus

In 2018, Sedus presented its range of services and new products at various international trade fairs and dealer events (Amsterdam, Cannes, Dubai, London, Milan and Paris).

The Sedus showrooms in Berlin, Hattersheim and Munich were also redesigned and reopened within the scope of dealer and customer events under the motto "Sedus and Friends".

Klöber

2018 saw Klöber launch the transnational project support concept in the form of decentralised network events, which were held in France, Austria and the Netherlands.

To strengthen ties to specialist dealers, the "Forum of Excellence" event series was continued at the Owingen location.

16. EMPLOYEES AND TRAINING

The average number of employees in the Sedus Stoll Group rose by 7.1% compared to the previous year. Based on the average number of employees across all quarters, 935 staff (excluding trainees and temporary staff) worked in the Group in comparison with 873 in the previous year. For the most part, this was down to sales-related expansion of the workforce at Sedus Stoll AG and Sedus Systems GmbH.

EMPLOYEES SEDUS STOLL GROUP

Average number of employees
(excluding management boards, managing directors and trainees)

Klöber GmbH	127	116	112	110
Sedus Systems GmbH	209	230	247	292
Sedus Stoll AG and foreign sales companies	485	495	514	533
	821	841	873	935
	2015	2016	2017	2018

In many respects, the Sedus Stoll Group acts in accordance with the fundamental conventions of the **International Labour Organization**. This is reflected specifically, for example, in the promotion of responsible cooperation with employee representatives and absolute gender equality with regard to equal opportunities and equal treatment.

This also includes the constant monitoring of **working conditions**, the promotion of **health protection**, as well as the optimisation of **safety** at the individual workplaces – primarily through regular industrial safety committee meetings. All in all, this is illustrated by the discernible fall in the number of workplace and commuting accidents within the

Sedus Stoll Group from 28 in the previous year to 18 in 2018 (-35.7%) and continues the positive trend observed in the preceding years.

The company pension scheme is an important aspect of the remuneration of Sedus Stoll AG and Sedus Systems GmbH employees that, along with the statutory pension scheme, is designed to facilitate additional security in old age. With a modern, transparent and fair benefits system in mind, in 2018 the company pension scheme at both companies was revised, also affording consideration to the current regulations of the Company Pensions Act (Betriebsrentengesetz). The new benefits system was created as a so-called cash-balance plan whereby the respective company makes annual income-related contributions, which are credited to the personal accounts established for each employee.

The external staff counselling programme providing the anonymous assistance of a social counsellor on occupational and private subjects was used by various employees. This programme was presented once again and actively promoted at a health day.

In the past year, we also again made a significant investment in the training and ongoing development of employees. The skill development modules for managers, begun in 2016, continued in 2018 and were expanded to include the participation of all management employees and team leaders in the Sedus Stoll Group at home and abroad. This training series will continue through to 2020. In addition, there were many individual further development measures on a variety of technical subjects.

Furthermore, great importance has always been placed on vocational training. In total, 52 apprentices and 5 co-operative state university students prepared for their careers in 15 different qualified training or degree courses. In Spring, all students and trainees throughout the Sedus Stoll Group took part in a 3-day workshop on team-building and fitness.

Once again, 7 trainees took the opportunity to attend a four-week foreign placement in Plymouth (England), where they were able to improve their knowledge of the English language and culture in various different placements and with guest families. For the first time, a DHBW cooperative university student of mechanical engineering also attended a scholarship programme run by the Fulbright Organisation at the "Georgia Institute of Technology" in Atlanta (USA).

The occupational health management system was once again a focal point last year. To this end, two health days were staged for the first time that included the following content: measurement of the primary muscle groups, reaction tests, mobility exercises, nutrition tips, blood pressure measurement and a course on intoxication using special simulation glasses. In addition, further programme aspects were addressed in the course of the year, such as skin screening, a first aid course for management, the "Trainee fit" seminar, ADAC driver safety training for young drivers and various other initiatives focussing on active mobility and fitness sports. In this respect, one repeated highlight well worthy of mention is the Sedus Run, which was held for the 6th occasion with a record 397 competitors taking part.

The fact that the many employee satisfaction measures are paying off is reflected in the comparatively low labour turnover rate; accordingly, the rate of employees leaving voluntarily was 2.8% at Sedus Stoll AG, 2.9% at Sedus Systems GmbH and 4.1% at Klöber GmbH.

The average age and period of employment in all companies remain on a similar level.

	Sedus Stoll AG	Sedus Systems GmbH	Klöber GmbH	Total
Average age	44.6	44.1	47.0	44.7
Years of company service	14.7	12.1	17.8	14.3

In 2018, a total of 79 10-, 20-, 25- 30- and even 40-year anniversaries with the company were celebrated.

The significant success of the past year was only possible thanks to the major commitment of our employees. We would like to express our heartfelt thanks to all those involved for this dedicated effort. Naturally, such thanks also extend to our employee representatives for their constantly constructive cooperation.

17. OVERALL STATEMENT FROM THE BOARD OF DIRECTORS

With turnover growth of 11.0% and net income for the financial year of EUR 9.8 million, once again the 2018 financial year was extremely successful for the Sedus Stoll Group. As such, the positive business development of the last four years has continued and considerably exceeded our expectations.

Despite falling rates of growth in the primary economic indicators in Germany and the European sales markets and distinctly subdued growth in the general office furniture market, the Sedus Stoll Group nonetheless increased its incoming orders by a total of 5.3%. Aided by highly successful project business, this enabled further consolidation of the market share as planned. To this end, the practically stagnating seating business contingent on the market was offset by continuing dynamic growth in orders in the Systems product division both at home and abroad. The sales situation at Klöber GmbH has stabilised, whereby the company has achieved modest order growth contrary to the market trend in seating and has also re-captured lost market shares.

Turnover in the 2018 financial year essentially approximated the volume of incoming orders. Given the comparatively low figure for the previous year, the growth rate amounted to 11.1%, in line with our expectations. Orders on hand as at the end of the year were at the high level achieved in the previous year and consequently offer a solid starting basis for 2019.

Owing to the invoicing of several highly discounted major projects and framework agreements as well as material price increases, gross profit as a percentage was unable to be maintained at the high level observed in the previous year. However, cost development was disproportionately lower in relation to turnover. Alongside primarily employment-contingent additional costs and higher performance-based remuneration (including profit sharing for employees), HR was also subject to significant costs. Similarly, also responsible for higher costs were participation in the office furniture trade fair ORGATEC and major maintenance work resulting from comprehensive renovations in connection with the realisation of a new production layout and within the scope of the new "we move" construction project.

Value adjustments of financial assets necessitated by negative price developments on the financial markets in the fourth quarter had a commensurately negative impact on earnings.

Despite a modest increase in EBIT from EUR 14.1 million to EUR 14.6 million (taking into account profit sharing for employees and management) and net income for the financial year of EUR 9.8 million on a level of the previous year (EUR 9.8 million), the corresponding returns on sales fell slightly, although still remain at a satisfactory level.

Impacted by the new construction project in Dogern, with a figure of EUR 15.8 million the investment volume of the Sedus Stoll Group was higher than in preceding years. Allowing for inclusion of funds tied-up within financial assets, the liquidity position was commensurate with the figure for the previous year. Accordingly, the volume of investment was financed entirely from cash flow.

As previously, with an equity ratio of 55.7% and only minimal liabilities to banks, the consolidated balance sheet of the Sedus Stoll Group demonstrates a fundamentally solid structure.

18. RISK AND OPPORTUNITY REPORT

A group-wide risk management system is applied throughout the Sedus Stoll Group. In essence, the aim of the system is to exploit any opportunities that arise in order to enhance profit, while at the same time avoiding identified risks or minimising and safeguarding against such through appropriate measures..

Accordingly, any opportunities arising are tapped and exploited to consequently safeguard and develop the competitiveness of the Group. To this end, opportunities are incorporated within annually prepared operative planning activities and monitored throughout the year by way of periodic reporting. The following opportunities were afforded consideration within the planning process: With the aim of tapping into additional market segments, the market shares of all Group units are to be increased through new products, product modifications and enhancements of existing products. Customer-oriented adjustments to the marketing and sales organisations from both an internal and external perspective also offer additional opportunities. Moreover, Global Account Management works to ensure new project successes and framework agreements as well as the renewal of such.

At the same time, impending risks should be recognised at an early stage and avoided to the greatest possible extent, with calculable definition and hedging of unavoidable risks also undertaken. To this end, Controlling promptly and consistently notifies the Management Board, management and Supervisory Board of identified risks and the development of commensurately anticipated levels of loss within the Group. The respective basis is afforded by risk reports prepared by risk managers in the various individual group companies, which are updated on a quarterly basis. Within these reports, established risk prevention strategies derived from the risk surveys of individual Group companies are constantly analysed, updated and implemented with the aim of reducing the expected level of loss. The total of individual

risks assessed in the various departments for their respective probability of occurrence and possible level of loss combine to provide the total anticipated level of loss for the Sedus Stoll Group. As a rule, the potential level of loss is determined by the effect on the company result. In relation to unexpectedly occurring risks, in addition to regular quarterly reporting, an intragroup reporting obligation also applies.

The assessment of potential financial effects is based on quantitatively defined characteristics:

- Watch
- Monitor
- Constantly monitor

The **bandwidth** of these potential financial effects are illustrated in the following summary:

Risk factor	Potential financial impact
Watch	< EUR 0.4 million
Monitor	EUR 0.4 million to EUR 1.5 million
Constantly Monitor	> EUR 1.5 million

Differentiated according to the relevant risk categories, the **overall situation of the Sedus Stoll Group** at the time of reporting is as follows:

Description	Probability of occurrence	Risk factor
Order intake risk	< 25 %	Watch
Competition risk	< 25 %	Watch
Supplier risk	< 25 %	Watch
Business process and project risk	< 25 %	Watch
Currency and interest risk	< 25 %	Watch
Financial asset impairment risk	< 25 %	Monitor

As at 31 December 2018, examination of the individual risks on the basis of information available at the time did not reveal any risks posing a threat to the continued existence of the company. Moreover, there are no current indications of any future risks threatening the existence of the company.

Representing a risk to be monitored in connection with customer and incoming orders is the dependence on key-customer turnover from framework agreements and project business as well as possible loss of major customers in Germany and abroad.

Competitive risks associated with intense price competition together with the escalating reductions in revenues, particularly in the project development business, are duly monitored. Similarly monitored are potential process and development risks, for example infringements of environmental standards or the development of faulty series products, as well as supplier-related risks that could result in higher material purchase costs.

Risks arising from currency developments are also tracked and partially hedged by forward exchange transactions. The remaining residual risk and the risk arising from interest rate developments are considered to be without significance for the Sedus Stoll Group.

Investment of liquid funds in securities held as fixed assets undertaken as of this financial year is subject to capital market fluctuations. Accordingly, the resulting impairment risk is duly monitored and included in ongoing financial reporting.

19. FORECAST REPORT

Following an unexpectedly economically and politically difficult 2018, the European economy and particularly the German economy have discernibly weakened. Two primary causes in the shape of the US trade dispute with China and the EU as well as an impending Brexit remain unresolved. With respect to the economic slowdown in China and the US monetary/interest policy, initial measures have been respectively adopted and are showing positive signs. Other economic framework conditions such as low interest rates, low inflation and the continuing high employment level combined with high consumer purchasing power are also currently giving rise to an expectation of somewhat subdued growth rather than recessionary tendencies for 2019.

On this basis we expect to see continued modest growth in the **office furniture market**; albeit with further disproportionately lower growth in office chairs.

Our sales planning again anticipates **growth in orders** above the market performance; however at a lower rate than in 2018. In this respect, our objective is to continue the persistently dynamic growth of the Systems product segment encountered by the Sedus brand over recent years and significantly intensify seating business sales activities.

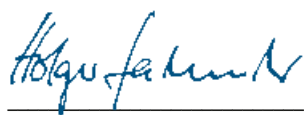
Providing an excellent springboard for these objectives are the products presented at last year's ORGATEC, which have gained exceptional popularity on the market in recent months. For Klöber the objective is to build on the turnaround commenced last year with increased sales and turnover and similarly achieve stronger growth than the market in order to attain satisfactory results on this basis in the long-term.

Given the high figure posted in the previous year, **turnover** for this year will increase only modestly, with a slight improvement in the **gross profit margin** also expected. In relation to **costs**, an easing owing to lower trade fair and maintenance costs is countered by higher write-downs due to building projects concluded in 2019. **EBIT** and **annual net profit** are expected to fall moderately below last year's figures.

In light of the two new and extended buildings completed in Dogern and Geseke, the **investment volume** of the Sedus Stoll Group will nonetheless outstrip the already high level of investment effected in 2018. Provided the planned results of operations actually materialise, it is expected that this will be primarily financed from cash flow.

Dogern, 21 March 2019

Sedus Stoll Aktiengesellschaft
The Board of Directors



Holger Jahnke



Daniel Kittner



Carl-Heinz Osten

Consolidated Annual Financial Statements

SEDUS STOLL GROUP

2018

Sedus Stoll Group, Balance Sheet

to 31 December 2018

ASSETS	2018-12-31		2017-12-31	
	EUR thousand	%	EUR thousand	%
A. Fixed assets				
<i>I. Intangible assets</i>				
1. Concessions, industrial property rights and similar rights and assets and licences in such rights and assets	2,629	1.6	2,113	1.4
2. Goodwill	0	0.0	0	0.0
3. Prepayments	691	0.4	604	0.4
	3,320	2.0	2,717	1.8
<i>II. Tangible assets</i>				
1. Real estate and buildings, including buildings on third-party land	20,100	12.4	21,244	14.2
2. Technical equipment and machinery	14,543	9.0	14,632	9.7
3. Other equipment, business stationery	6,599	4.1	5,599	3.7
4. Prepayments and assets under construction	10,582	6.6	3,603	2.4
	51,824	32.1	45,078	30.0
<i>III. Securities held as fixed assets</i>	22,886	14.2	0	0.0
	78,030	48.3	47,795	31.8
B. Current assets				
<i>I. Inventories</i>				
1. Raw materials, consumables and supplies	11,742	7.3	10,910	7.2
2. Work in progress	1,091	0.7	987	0.7
3. Finished goods and merchandise	2,967	1.8	3,154	2.1
	15,800	9.8	15,051	10.0
<i>II. Receivables and other assets</i>				
1. Trade receivables	29,587	18.3	28,584	19.0
2. Other assets	2,421	1.5	1,667	1.1
	32,008	19.8	30,251	20.1
<i>III. Cash in hand, bank balances and cheques</i>	32,813	20.3	55,727	37.0
	80,621	49.9	101,029	67.1
C. Prepaid expenses	967	0.6	653	0.4
D. Deferred tax assets	1,906	1.2	1,035	0.7
	161,524	100.0	150,512	100.0

LIABILITIES	2018-12-31		2017-12-31	
	EUR thousand	%	EUR thousand	%
A. Equity				
I. <i>Subscribed capital</i>	15,255	9.4	15,255	10.1
II. <i>Capital reserve</i>	27,019	16.7	27,019	18.0
III. <i>Revenue reserves</i>	21,095	13.1	19,730	13.1
IV. <i>Difference in equity from exchange rate conversion</i>	-129	-0.1	-126	-0.1
V. <i>Net retained profits</i>	26,745	16.6	20,770	13.8
	89,985	55.7	82,648	54.9
B. Provisions				
1. Provisions for pensions and similar obligations	36,461	22.6	30,535	20.3
2. Provisions for taxes	1,575	1.0	482	0.3
3. Other provisions	10,675	6.6	11,102	7.4
	48,711	30.2	42,119	28.0
C. Liabilities				
1. Liabilities to financial institutions	4,099	2.5	5,730	3.8
2. Prepayments received on account of orders	594	0.4	1,064	0.7
3. Trade payables	7,179	4.4	5,218	3.5
4. Other liabilities (of which from taxes EUR 1.753 thousand; previous year EUR 1.748 thousand) (including social security payments of EUR 278 thousand; previous year EUR 227 thousand)	10,954	6.8	13,730	9.1
	22,826	14.1	25,742	17.1
D. Prepaid expenses	2	0.0	3	0.0
	161,524	100.0	150,512	100.0

Sedus Stoll Group, Changes in Fixed Assets

from 1 January to 31 December 2018

FIXED ASSETS	Gross values acquisition/production costs					
	2018-01-01	Additions	Reclassifications	Disposals	Exchange rate differences	2018-12-31
in EUR thousand						
I. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets as well as licences for such rights and assets	10,562	650	562	56	0	11,718
2. Goodwill	27,204	0	0	0	0	27,204
3. Prepayments	604	649	-562	0	0	691
	38,370	1,299	0	56	0	39,613
II. Tangible assets						
1. Real estate and buildings, including buildings on third-party land	76,060	170	548	0	-1	76,777
2. Technical equipment and machinery	72,822	2,543	899	3,236	0	73,028
3. Other equipment, business stationery	17,762	3,230	16	1,052	5	19,961
4. Prepayments and assets under construction	3,603	8,592	-1,463	150	0	10,582
	170,247	14,535	0	4,438	4	180,348
III. Securities held as fixed assets	0	25,331	0	1,335	0	23,996
	208,617	41,165	0	5,829	4	243,957

Cumulative depreciation, amortisation and write-downs						Book values	
2018-01-01	Additions	Reclassifications	Disposals	Exchange rate differences	2018-12-31	2018-12-31	2017-12-31
8,449	696	0	56	0	9,089	2,629	2,113
27,204	0	0	0	0	27,204	0	0
0	0	0	0	0	0	691	604
35,653	696	0	56	0	36,293	3,320	2,717
54,816	1,862	0	0	-1	56,677	20,100	21,244
58,190	3,530	0	3,235	0	58,485	14,543	14,632
12,163	2,166	0	970	3	13,362	6,599	5,599
0	0	0	0	0	0	10,582	3,603
125,169	7,558	0	4,205	2	128,524	51,824	45,078
0	1,110	0	0	0	1,110	22,886	0
160,822	9,364	0	4,261	2	165,927	78,030	47,795

Sedus Stoll Group, Profit and Loss Statement

from 1 January to 31 December 2018

PROFIT AND LOSS STATEMENT		2018		2017	
		EUR thousand	%	EUR thousand	%
1.	Sales revenues	212,283	100.0	191,150	99.3
2.	Increase or decrease in finished goods inventories and work in progress	-213	-0.1	1,142	0.6
3.	Other own work capitalised	257	0.1	198	0.1
	Total operating revenue	212,327	100.0	192,490	100.0
4.	Other operating income (of which from exchange rate conversion EUR 431 thousand; previous year EUR 563 thousand)	1,902	0.9	2,071	1.1
5.	Cost of materials				
	a) Cost of raw materials, consumables and supplies and for externally sourced goods	-81,253	-38.3	-71,554	-37.1
	b) Cost of purchased services	-4,075	-1.9	-3,018	-1.6
		-85,328	-40.2	-74,572	-38.7
6.	Personnel expenses				
	a) Wages and salaries	-52,716	-24.9	-50,416	-26.2
	b) Social security payments and pension-related and support costs (including for old age pensions EUR 2,905 thousand; previous year EUR 1,703 thousand)	-12,790	-6.0	-11,034	-5.7
		-65,506	-30.9	-61,450	-31.9
7.	Depreciation of intangible assets relating to fixed assets and tangible assets	-8,254	-3.9	-7,740	-4.0
8.	Other operating expenses (of which from exchange rate conversion EUR 308 thousand; previous year EUR 557 thousand)	-38,389	-18.1	-35,603	-18.5
9.	Income from other securities and loans from financial assets	152	0.1	0	0.0
10.	Other interest and similar income	56	0.0	163	0.1
11.	Amortisation of financial assets	-1,110	-0.5	0	0.0
12.	Interest and similar expenses (including from the interest levied on provisions/accruals EUR 1,237 thousand; previous year EUR 1,052 thousand)	-1,722	-0.8	-1,371	-0.7
13.	Taxes on income (including earnings from changes in deferred taxes EUR 871 thousand; previous year cost of EUR 489 thousand)	-3,985	-1.9	-3,857	-2.0
14.	Result after taxes	10,143	4.8	10,131	5.4
15.	Other taxes	-362	-0.2	-311	-0.2
16.	Consolidated net income	9,781	4.6	9,820	5.2
17.	Net retained profit from previous year	20,770		16,000	
18.	Dividend	-2,441		-2,135	
19.	Profit carried forward	18,329		13,865	
20.	Appropriation to other revenue reserves	-1,365		-2,915	
21.	Net retained profits	26,745		20,770	

Notes to the Consolidated Financial Statements

of Sedus Stoll AG for the 2018 Financial Year

1. GENERAL INFORMATION

Sedus Stoll AG relocated its headquarters from Waldshut-Tiengen to Dogern in the 2018 financial year. The company is listed in the Commercial Register (HRB 621114) at the Freiburg i.Br. district court (Amtsgericht).

2. BASIS OF CONSOLIDATION

Sedus Stoll AG holds majority direct equity interests (capital rights and voting rights) in two Group companies in Germany and eight foreign Group companies. In addition to Sedus Stoll AG and the eight foreign subsidiaries, Klöber GmbH, Owingen, has been included in the consolidated financial statements in accordance with the provisions governing full consolidation since 1999 and Sedus Systems GmbH, Geseke, since 2002. The Hardship Fund (Fürsorgestiftung) of Sedus Stoll AG e.V., Waldshut-Tiengen, is included in the consolidated financial statements as a fully consolidated special purpose company given that the majority of risks and opportunities pertaining to the Hardship Fund (Fürsorgestiftung) are attributable to Sedus Stoll AG. Initial consolidation took place on 31 December 2012. This did not result in any consolidation differences.

The consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

3. GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND CONSOLIDATION METHODS

3.1. Accounting Policies

The provisions of the German Commercial Code (Handelsgesetzbuch [HGB]) for corporations regarding the classification and presentation of balance sheet and profit and loss items as per the German Accounting Directive Implementation Act (BilRUG) as well as the pertinent provisions of the German Stock Corporation Act (AktG) were applied in the preparation of the consolidated financial statements of Sedus Stoll AG for the 2018 financial year.

Assets and liabilities are valued according to HGB regulations for corporations and the generally accepted principles of accounting.

The profit and loss statement is essentially structured in accordance with the provisions of Section 275 (2) HGB and therefore the total cost (nature of expense) method.

The accounts of subsidiaries and the parent company were uniformly balanced and evaluated in accordance with the following specified principles.

The consolidated financial statement is presented in EUR thousands.

CONSOLIDATED AFFILIATED COMPANIES	Capital share to 2018-12-31	Equity to 2018-12-31
	%	EUR thousand
1. Sedus Stoll AG, Dogern	–	67,781
2. Klöber GmbH*, Owingen	100.0	5,000
3. Sedus Systems GmbH*, Geseke	100.0	19,181
4. Hardship Fund of Sedus Stoll AG e.V., Waldshut-Tiengen	0.0	0
5. Sedus Stoll S.A.R.L., Paris, France	100.0	5,481
6. Sedus Stoll S.R.L., Cadorago, Italy	100.0	7,552
7. Sedus Stoll Ges.m.b.H., Vienna, Austria	100.0	3,369
8. Sedus Stoll B.V., Zoetermeer, Netherlands	100.0	101
9. Sedus Stoll AG, Rickenbach, Switzerland	100.0	3,074
10. Sedus Stoll Ltd., London, Great Britain	100.0	2,121
11. Sedus Stoll BVBA, Erembodegem-Aalst, Belgium	100.0	1,001
12. Sedus Stoll S.A., Madrid, Spain	100.0	474

* Pursuant to Section 264 (3) HGB, Klöber GmbH, Owingen, and Sedus Systems GmbH, Geseke, are not required to prepare, submit for audit and publish annual financial statements prepared in accordance with the German Commercial Code and a management report pursuant to the applicable regulations for stock corporations.

3.2. Consolidation Methods, Exchange Rate Conversion

Consolidation Methods

The financial statements of the companies included in the consolidated financial statements were prepared as at the date of the consolidated financial statements. The financial year is the calendar year.

Capital consolidation in the Group companies was effected in the past according to the book value method pursuant to Section 301 HGB (old version). The new valuation method in accordance with Section 301 HGB has been used since 2010. The foreign subsidiaries were initially consolidated as at 1 January 1995 when the consolidated financial statements were prepared for the first time. Reflecting its nature as a net loss carry forward, positive goodwill resulting from consolidation is accordingly offset against Group reserves. Any negative goodwill is added to the Group's reserves to reflect its nature as a retained profit and revenue reserve.

Receivables and liabilities and income and expenses between consolidated companies are mutually offset. Intragroup results were eliminated.

The Klöber companies acquired as at 1 January 1999 were initially consolidated on the date the shares were acquired. This resulted in carrying amounts in excess of the parent's share of equity amounting to EUR 23,010 thousand. Proportionate hidden reserves of EUR 3,715 thousand were realised, allocated to the relevant assets and written down with those assets over the anticipated useful life of 20 years. The remaining difference amounting to EUR 19,295 thousand was reported as goodwill and reduced by straight-line amortisation over the expected useful life of 15 years.

Sedus Stoll AG acquired the remaining 30% interest in Klöber Holding GmbH in the 2003 financial year, effective 1 January 2003. The proportionate remaining 30% in hidden reserves of EUR 1,592 thousand was also realised in this connection. Write-downs on the additionally resulting goodwill from this first consolidation of EUR 2,300 thousand and the additionally uncovered hidden reserves of EUR 1,592 thousand were distributed on a scheduled straight-line basis over the anticipated residual useful life of 20 years and fully written down as an unscheduled item in the 2018 financial year. Klöber Holding GmbH was merged with Sedus Stoll AG in the 2008 financial year.

Sedus Systems GmbH, Geseke, acquired as at 1 January 2002, was initially consolidated on the date the shares were acquired. This resulted in carrying amounts in excess of the parent's share of equity amounting to EUR 11,233 thousand. Proportionate hidden reserves of EUR 3,896 thousand were realised on the land and on industrial and administrative

buildings, allocated to the relevant assets and written down with those assets over the anticipated useful life of 20 years. The remaining difference amounting to EUR 7,337 thousand was reported as goodwill and reduced by straight-line amortisation over the expected useful life of 15 years.

Exchange Rate Conversion

Foreign currency receivables and liabilities are valued at the average spot exchange rate or the respective less favourable rate on the reporting date. With terms of up to one year, the implementation and purchase cost principle is not applied in the valuation in accordance with Section 256a HGB. To the extent that foreign currency positions are hedged, valuation is at the corresponding hedging rate.

Financial statements of foreign Group companies that are not prepared in euros are translated at the relevant closing rates for balance sheet items or, in the case of equity, at the relevant historical rates. The balances of other income and expenses in the profit and loss statement were translated at averaged annual exchange rates. Differences arising from the translation of balance sheets following the translation of equity at historical exchange rates or the translation of the annual result at average exchange rates are recorded as a separate equity item not recognised in profit or loss in accordance with Section 308a HGB.

3.3. Fixed Assets

Acquired intangible assets are charged to assets at acquisition cost and, if subject to wear and tear, adjusted in accordance with their anticipated useful life and scheduled amortisation (straight-line method) or are reduced by unscheduled write-downs in the case of expected permanent impairment. Amortisation in the year of acquisition is calculated pro rata temporis.

Goodwill is amortised based on long-term utilisation using the straight-line method over the anticipated useful life of 15 years. Unscheduled write-downs are charged to the lower of cost or market/fair value in the event of expected permanent impairment.

Tangible assets are valued at acquisition or production costs less scheduled depreciation or unscheduled depreciation in the event of expected permanent impairment. Depreciation takes account of the technical and economic loss of value due to wear and tear. Capital additions after 1 January 2010 are essentially written down on a straight-line basis pro rata temporis. Minor assets with a value of EUR 251 to EUR 1,000 are grouped into an annual summary item that is depreciated at the rate of one fifth in the year set up, and by a further fifth over each of the next four financial years.

Assets with a value of up to EUR 250 are recognised directly as an expense in the year of acquisition or production.

The straight-line depreciation method was used exclusively for **movable tangible assets**.

Prepayments for intangible and tangible assets are carried at the respective nominal amount.

Securities held as fixed assets are carried at acquisition cost or the lower current fair value.

Valuation of assets is not effected by means of offsetting transferred tax-free reserves where an alternative option is exercised.

3.4. Current Assets

Current assets are carried at the lower of cost or market value.

Raw materials, consumables and supplies are valued at moving average prices as per the Lifo method (period lifo) pursuant to Section 256 HGB under application of the lower of cost or market value principle. In accordance with Section 284 (2), no. 4 HGB, the Lifo reserve as at 31 December 2018 amounted to EUR 463 thousand, with EUR 219 thousand accounted for by Sedus Stoll AG, EUR 73 thousand by Klöber GmbH and EUR 171 thousand by Sedus Systems GmbH.

Finished goods and work in progress are uniformly measured at the capitalised cost of manufacturing pursuant to Section 255 (2) HGB. In addition to individual material costs, they include proportional material overheads and direct labour costs plus manufacturing overheads (cost of own work). As in the previous year, discounts for non-marketability as per the range of coverage procedure were applied for work in progress. To determine the loss-free valuation, fair value is applied to the finished products in so far as this is lower. As at 31 December 2018, the Lifo reserve amounted to EUR 5 thousand and was furnished by Klöber GmbH.

Adequate write-downs are charged for slow-moving and technically obsolete inventories.

Receivables and other assets are carried at their principal amounts less appropriate valuation allowances. A global valuation allowance of 4.0% for domestic receivables and 5.0% for foreign receivables was deducted from trade receivables not covered by credit insurance to cover the general default and credit risk. Non-interest bearing medium- or long-term receivables are discounted at the cash value. Pension liability insurance entitlements that are accessible to external third parties are valued on the basis of information from the insurer using the respective asset value (coverage capital) on the reporting date.

Liquid funds are carried at nominal value. Foreign currency bank balances are translated at the average exchange rate as at the balance sheet date.

3.5. Prepaid Expenses

Accrued expenses in particular are reported under **prepaid expenses**.

3.6. Deferred Taxes

Deferred taxes are determined for timing differences between commercial accounting and tax accounting valuations of respective balance sheet items and expected tax loss carryforwards that can be used within the next 5 years. Additional deferred taxes arise from consolidation. Deferred taxes are determined on the basis of the earnings tax rate applicable for the respective individual company. A significant proportion of deferred taxes relate to Sedus Stoll AG with a tax rate of 28.4% and Sedus Systems GmbH with a commensurate rate of 30.8%. The combined earnings tax rate comprises corporation tax, solidarity surcharge and business tax. Deferred tax assets were generated in the financial year.

3.7. Equity

Subscribed capital is carried at nominal value.

3.8. Provisions

Provisions for **pensions and similar obligations** cover the obligations arising from entitlements and current pensions on the basis of company agreements and individual commitments to former shareholders and members of the board, as well as capital provision obligations based on individual commitments to employees and the board on the basis of deferred compensation. The pension provisions have been valued on the basis of actuarial calculations, taking account of the guideline tables 2018 G by Prof. Dr. Heubeck. The projected unit credit method has been used as the valuation procedure for the active beneficiaries. For the beneficiaries and pensioners who have left with vested entitlements, the settlement amount applied is the cash value of future pension payments. The inventory date for pension obligations is 30 November 2018. A global discount is applied based on the interest rate published by the German Bundesbank for the past ten years, calculated on an assumed residual term of 15 years (Section 253 (2), sentence 2 HGB). The commensurate rate of interest as at 31 December 2018 was 3.21%. In determining the provisions for pensions and similar obligations, annual adjustments to current pensions pursuant to Section 16 BetrAVG (Occupational Pensions Act) of 2.0% and annual income increases of 2.5% are applied.

Pursuant to Art. 75 (6) EGHGB rev., the revised version of Section 253 HGB is applicable for the first time in the annual financial statement of the company to 31 December 2016. As at 31 December 2018 this amounts to provisions for pensions of EUR 36,461 thousand. This amount is EUR 4,412 thousand (difference) below the pension provision value that would have resulted to 31 December 2018 under application of the seven-year average interest rate.

As at the reporting date of 31 December 2018, the freely available provisions plus profits carried forward exceed the total figure excluded from distribution (difference). Accordingly, a limit on dividend payouts does not apply.

Obligations arising from pensions and similar obligations are offset against those assets that are exclusively intended for the fulfilment of pension and similar obligations and are not accessible to external third parties (so-called covered funds). The committed, pledged and insolvency-proof covered funds are valued at the current fair value. The fair values of the covered funds are valued on the basis of information from the insurer with the respective asset value (coverage capital) on the reporting date.

Foreign companies effect pension provisions in accordance with similar principles, taking national regulations into account. A revaluation of foreign provisions according to German principles was not undertaken in view of the marginal volume.

With effect to the reporting date of 30 November 2018, obligations pertaining to anniversary bonuses, partial retirement and capital obligations resulting from deferred compensation were also calculated.

The average market interest rate over the past seven years of 2.32 % p.a. on 31 December 2018 set by the German Bundesbank was used as a basis for the valuation of the anniversary provisions effected in accordance with the projected unit credit method, under application of an assumed residual term of 15 years. In addition, a future annual rise in income of 2.5 % and an annual rise in the statutory contribution ceiling of 2.0 % has been assumed. The probability of fluctuation was also considered.

The calculation of provisions for obligations from part-time employment prior to retirement following the IDW RS HFA 3 statement of 19 June 2013 assumes an average market interest rate of 0.82 % and an annual income movement of 2.5 %.

Other provisions were calculated in consideration of recognised risks and uncertain liabilities. Valuation is based on the settlement amount required to cover future payment obligations as established by reasonable commercial assessment. Future price and cost increases are considered insofar as sufficient objective indication of the occurrence of such exists.

3.9. Liabilities

Liabilities are carried at the settlement amount.

3.10. Prepaid Expenses

Income accruals in particular are reported under prepaid expenses.

4. BALANCE SHEET AND PROFIT AND LOSS STATEMENT DISCLOSURES

4.1 Fixed Assets

The development of fixed assets from 01 January 2018 to 31 December 2018, including the cumulative cost of acquisition and production and the cumulative write-downs is set out in the expanded description of the movement schedule.

Additions to acquisition and manufacturing costs contained capitalised loan capital interest of EUR 0 thousand for the financial year.

4.2 Current Assets

Receivables and Other Assets

The trade receivables to 31 December 2018 are due for payment as follows:

TRADE RECEIVABLES AND OTHER ASSETS	Remaining term up to 1 year	Remaining term more than 1 year	in total 2018	in total 2017
in EUR thousand				
1. Trade receivables	29,587	0	29,587	28,584
2. Other assets	2,299	122	2,421	1,667
	31,886	122	32,008	30,251

Other assets comprised the following items as at the balance sheet date:

OTHER ASSETS	2018	2017
in EUR thousand		
Creditors with debit accounts	533	154
Tax refund, sales tax (VAT)	380	4
Corporation tax credits	362	407
Rental deposits	289	238
Business tax credit	219	317
Supplier bonuses	158	135
Capitalised surrender values of pension liability insurance policies	122	124
Energy tax refund	73	68
Receivables from Stoll VITA Foundation	38	0
Prepayments	35	2
Travel cost prepayments	34	38
Fixed deposit interest	16	62
Prepayment towards social security	11	18
Other tax prepayments	1	1
Miscellaneous assets	150	99
Total	2,421	1,667

Liquid Funds

Cash and cash equivalents of EUR 32,813 thousand (previous year: EUR 55,727 thousand) comprise a figure of EUR 27,321 thousand attributable to Sedus Stoll AG, EUR 4,483 thousand to foreign subsidiaries, EUR 996 thousand to Sedus Systems GmbH and EUR 13 thousand to Klöber GmbH.

4.3 Deferred Tax Assets

Netted out, the balance of deferred tax assets against deferred tax liabilities (total balance consideration) resulted in deferred tax assets of EUR 1,906 thousand as at the reporting date. The differences between the commercial and tax balance sheets, and from the consolidation which produced

the deferred tax liabilities, resulted predominantly from divergent depreciation, amortisation and write-downs and from realised hidden reserves (properties and buildings). Deferred tax liabilities on the realised hidden reserves were created following the first-time application of BilMoG on 1 January 2010 for the amount of EUR 1,400 thousand and result from the initial consolidation of Sedus Systems GmbH and Klöber GmbH. These deferred taxes were offset against revenue reserves without recognition in profit or loss in accordance with Art. 67 (6), sentence 1 EGHGB. The reversal of deferred taxes in income was undertaken in correspondence with the amortisation of the hidden reserves and came to EUR 87 thousand in the 2018 financial year. Recognised deferred tax assets on tax loss carryforwards of subsidiaries amounting to EUR 390 thousand were taken into account.

Deferred taxes were balanced as follows:

BALANCE OF DEFERRED TAXES	2018-12-31	2017-12-31
in EUR thousand		
Deferred tax assets	3,114	2,270
Deferred tax liabilities	-1,208	-1,235
Balance	1,906	1,035

4.4 Equity

The **share capital** of Sedus Stoll AG as at 31 December 2018 stood at EUR 15,255 thousand and is divided into 305,105 registered ordinary shares/no-par value shares with a nominal value of EUR 50.00/share. Share certificates have not yet been issued; the company has provided shareholders with interim certificates.

The **revenue reserve** amounts to EUR 27,019 thousand.

Revenue reserves exclusively concern **other revenue reserves** and are composed of the following:

REVENUE RESERVES	2018-12-31	2017-12-31
in EUR thousand		
Revenue reserves for Sedus Stoll AG	22,718	21,353
Deferred tax liabilities Taxes based on BilMoG	-1,400	-1,400
Goodwill resulting from initial consolidation	-223	-223
Revenue reserves of the Group	21,095	19,730

Changes in **net retained profits** were as follows:

NET RETAINED PROFITS	2018-12-31	2017-12-31
in EUR thousand		
Net retained profits / net accumulated losses 1 January	20,770	16,000
Dividend	-2,441	-2,135
Net income for the financial year	9,781	9,820
Appropriation to other revenue reserves	-1,365	-2,915
Net retaining profits to 31 Dec.	26,745	20,770

A proposal will be made to the annual general meeting for **distribution** of EUR 2,441 thousand from Sedus Stoll AG's **net retained profits** of EUR 2,790 thousand reported as at 31 December 2018. The remaining EUR 349 thousand is to be carried forward to new account.

4.5 Provisions

Provisions for Pensions and Similar Obligations

The requisite settlement amount calculated in accordance with the projected unit credit method for the pension liabilities financed through the **pension fund** amounted to EUR 7,225 thousand as at 31 December 2018. The settlement amount exceeded fund assets as at 31 December 2018 by EUR 2,677 thousand, in turn giving rise to a shortfall of indirect pension commitments of EUR 4,548 thousand as at 31 December 2018.

The additional **pension commitments** requiring the formation of provisions were offset against the covered funds (EUR 258 thousand) in accordance with Section 246 (2), sentence 2 of the HGB. The covered funds are exclusively pledged reinsurances protected against insolvency. Appreciation in value of covered funds amounting to EUR 10 thousand was offset against the accrued interest for pension provisions.

Other Provisions

Other provisions essentially comprise provisions for personnel expenses (EUR 7,262 thousand), incoming invoices (EUR 1,031 thousand) and guarantees (EUR 908 thousand).

4.6 Liabilities

The remaining terms of liabilities are as follows:

LIABILITIES	Remaining term up to 1 year	Remaining term more than 1 year	Remaining term > 5 years	in total 2018
in EUR thousand (previous-year values are given in brackets)				
1. Liabilities to financial institutions	1,628 (1,626)	2,471 (4,104)	0 (0)	4,099 (5,730)
2. Prepayments received on account of orders	594 (1,064)	0 (0)	0 (0)	594 (1,064)
3. Trade payables	7,179 (5,218)	0 (0)	0 (0)	7,179 (5,218)
4. Other liabilities	6,544 (7,636)	4,410 (6,094)	1,105 (1,996)	10,954 (13,730)
Total	15,945 (15,544)	6,881 (10,198)	1,105 (1,996)	22,826 (25,742)

The liabilities to financial institutions totalling EUR 4,099 thousand are secured by land charges on the Dogern and Geseke production sites.

Standard retention of title applies to liabilities to suppliers.

Other liabilities are attributable to:

OTHER LIABILITIES	in EUR thousand
Sedus Stoll AG	7,647
Foreign subsidiaries	2,179
Sedus Systems GmbH	971
Klöber GmbH	157
Total	10,954

Of the total amount of other liabilities, EUR 1,753 thousand relate to tax liabilities (previous year: EUR 1,748 thousand) and EUR 278 thousand to social security obligations (previous year: EUR 227 thousand).

Obligations arising from **staff loans, profit sharing and management bonuses** totalling EUR 4,679 thousand listed under other liabilities and the commensurate obligations posted under pension provisions totally at EUR 2,238 thousand are secured by land charges on the Dogern production site as well as a partial pledging of fixed-term deposits.

4.7 Contingent Liabilities and Other Financial Obligations

Contingent Liabilities

In accordance with Section 298 (1) in conjunction with Sections 251 and 268 (7) HGB, all contingent liabilities are either reported in the consolidated balance sheet or disclosed elsewhere.

Other Financial Obligations

The total amount of other financial obligations under rental and lease agreements stood at EUR 5,173 thousand, with EUR 1,086 thousand attributable to Sedus Stoll AG, EUR 1,432 thousand to Sedus Systems GmbH, EUR 108 thousand to Klöber GmbH and EUR 2,547 thousand to foreign subsidiaries.

4.8 Financial instruments

To hedge against foreign currency risks arising from planned sales transactions denominated in GBP, CHF, AED and USD, forward exchange transactions are concluded on a case by case basis. The purpose of these transactions is the reduction of the market risk arising from the changes in currency movements for the payment streams running in foreign currency. Derivative financial instruments are not used for commercial or speculative purposes. We assume with great probability that the hedged transactions will occur, as these are routine transactions and the hedge is significantly less than the planned total volume. Furthermore, the use of derivative financial instruments is subject to clearly defined rules and strict internal controls. Insofar as provided for in law, valuation units are formed within the meaning of Section 254 HGB.

The derivatives are combined with the underlying foreign currency transactions in valuation units (micro hedge). To the extent that the valuation-relevant parameters of the underlying and hedge transaction do not change and a complete balance of the value changes may be assumed during the term of the hedge, under application of the net hedge presentation method the counterpart changes of the current fair values of the underlying and hedge transactions are not considered in the balance sheet or results. The ineffective parts of the hedges, i.e. non-balancing value changes as well as foreign currency items that are not hedged, are treated in accordance with general valuation principles. The effectiveness of the hedges is determined prospectively and retrospectively on each reporting date.

The nominal volume of forward exchange transactions concluded to hedge foreign currency transactions amounted to EUR 4,301 thousand as at 31 December 2018, with current fair values of EUR 4,509 thousand (positive market values of EUR 208 thousand). The hedged forward exchange operations as at 31 December 2018 relate entirely to scheduled forward exchange sales in British pounds and Swiss francs. They fall due in 2019 and were not recognised in the balance sheet due to their highly effective hedges.

The current fair values of the derivative financial instruments are determined with valuation methods customary in the market, taking into account the available market data (market values) on the valuation date. Foreign exchange contracts are valued individually on the basis of the exchange amount at the current forward market rates on the reporting date compared to the agreed forward and contract rates. The forward market rates are determined by the spot price, taking account of the forward premiums and discounts.

4.9 Cash Flow Statement

The cash flow statement was prepared under application of accounting standard No. 21 "Cash flow statement" (DRS 21). Investments impacting on cash flow primarily comprise investments in assets under construction (EUR 8,592 thousand), technical equipment and machines (EUR 2,542 thousand) and within the scope of asset management (EUR 25,331 thousand). Inflows from fixed-term deposits amounted to EUR 15,000 thousand. A total of EUR 1,631 thousand was spent on the repayment of loans. Cash and cash equivalents comprise liquid funds less fixed-term deposits with an original term of >3 months:

FINANCIAL RESOURCE FUND	2018-12-31	2017-12-31
in EUR thousand		
Financial resource funds in acc. with DRS 21	19,513	27,427
Fixed deposits with an original term > 3 months	13,300	28,300
Liquid funds acc. to balance sheet	32,813	55,727

4.10 Breakdown of Sales Revenues According to Region

Consolidated sales revenues break down regionally as follows:

SALES REVENUES	2018	2017
in EUR thousand		
Germany	110,535	107,897
France	23,706	20,500
Italy	20,596	15,542
Austria	15,614	9,970
Netherlands	4,359	3,736
Switzerland	6,931	6,362
Great Britain	9,009	8,019
Belgium	7,946	7,332
Spain	2,759	1,642
Other abroad	10,828	10,150
Exports	101,748	83,253
Total	212,283	191,150

The export ratio amounts to 47.9 % (previous year: 43.6 %).

4.11 Other Operating Income

The other operating costs are made up as follows:

OTHER OPERATING INCOME	2018	2017
in EUR thousand		
Reversal of provisions	712	188
Reversal of specific and global valuation allowances	496	703
Profits from exchange rate conversion	431	563
Income from previous years	204	247
Income from third party compensation	25	242
Other miscellaneous income	34	128
Total	1,902	2,071

Prior-period income amounting to EUR 916 thousand is included in other operating income (previous year: EUR 435 thousand).

4.12 Depreciation, Amortisation and Write-Downs

Scheduled amortisation of intangible assets and depreciation of tangible fixed assets amounted to EUR 8,254 thousand (previous year: EUR 7,740 thousand).

This includes scheduled amortisation of hidden reserves realised within the scope of initial consolidation of EUR 309 thousand (previous year: EUR 309 thousand) and unscheduled amortisation of realised hidden reserves of EUR 136 thousand (previous year: EUR 0 thousand).

4.13 Other Operating Expenses

Other operating expenses of EUR 38,389 thousand (previous year: EUR 35,603 thousand) are primarily attributable to the following:

OTHER OPERATING EXPENSES	2018	2017
in EUR thousand		
Selling costs	16,939	15,120
Operating costs	14,826	13,534
Administrative costs	3,494	3,452
Other staff costs	2,025	1,507
Valuation adjustments	382	845
Expenses resulting from exchange rate conversion	308	557
Loss from disposal of securities held as fixed assets	109	0
Creation of provisions	70	238
Cost of reduced earnings from the sale of assets	23	61
Other miscellaneous expenses	213	289
Total	38,389	35,603

No significant prior-period expenses were incurred.

4.14 Research and Development Expenses

The costs for research and development amounted to EUR 5,670 thousand (previous year EUR 5,087 thousand) in the financial year.

4.15 Income from other securities and loans from financial assets

Income relates to dividends and interest income generated within the scope of asset management.

4.16 Amortisation of financial assets

In the financial year, unscheduled amortisation as per Section 253 (3) sentence 6 HGB of EUR 1,110 thousand applied to securities held as fixed assets to effect adjustment to market and exchange prices on the reporting date.

4.17 Taxes on Income

These taxes include **corporation tax**, **trade tax** and the **solidarity surcharge** within Germany, and the equivalent income-related taxes abroad. They are calculated according to the pertinent tax regulations applicable to each company.

Furthermore, on balance, income from **deferred tax effects** of EUR 871 thousand (previous year: EUR 489 thousand) was generated in the 2018 financial year. This resulted from the elimination of inter-company profits and losses affecting net income, the annual reversal of deferred tax liabilities relating to divergent depreciation, amortisation and write-downs and realised hidden reserves (buildings), in addition to other recognition differences under commercial and tax law.

4.18 Other Taxes

Other taxes include real estate tax and vehicle tax, as well as flat-rate wage tax assumed by the employer.

5. EMPLOYEES

The average number of employees across all quarters is as follows:

NUMBER OF EMPLOYEES	2018	2017
(excluding management boards and managing directors)		
Sedus Stoll AG, Dogern		
Salaried employees	221	223
Hourly-paid employees	241	227
Trainees	34	35
	496	485
Klöber GmbH, Owingen		
Salaried employees	65	67
Hourly-paid employees	45	45
Trainees	9	8
	119	120
Sedus Systems GmbH, Geseke		
Salaried employees	97	85
Hourly-paid employees	195	162
Trainees	12	14
	304	261
Consolidated foreign Group companies		
Salaried employees	71	64
	71	64
Sedus Stoll Group	990	930

6. ADDITIONAL INFORMATION

6.1. Members of the Board of Directors:

Members of the Board of Directors:

- Holger Jahnke, Waldshut (Marketing/Sales)
(Spokesperson of the Board of Directors)
- Daniel Kittner, Stutensee (Technology/Development)
- Carl-Heinz Osten, Müllheim (Finance/HR/IT)

The Management Board's total remuneration for the 2018 financial year was EUR 1,995 thousand. A provision of EUR 5,092 thousand exists for pension obligations to retired members of Sedus Stoll AG's Management Board; ongoing pension payments to this group amounted to EUR 283 thousand in the 2018 financial year.

6.2. Members of the Supervisory Board:

Chairman of the Supervisory Board:

- Dr. Klaus Eisele, Stuttgart (Banker)

Shareholder Representatives:

- Ulrich Behrens, Wittnau
(Auditor and Tax adviser)
(Deputy Chairman)
- Werner Blanke, Anröchte (Banker)
- Dr. Alfried Ederhof, Waldshut (Corporate consultant)

Employee Representatives:

- Herbert Ebner, Höchenschwand
(Chairman of the Works Council of Sedus Stoll AG)
- Wolfgang Kautz, Geseke
(Chairman of the Works Council of Sedus Systems GmbH)

Dogern, 21 March 2019

Sedus Stoll Aktiengesellschaft

The Board of Directors



Holger Jahnke



Daniel Kittner



Carl-Heinz Osten

Total remuneration for the Supervisory Board in the 2018 financial year was EUR 188 thousand.

6.3. Other Disclosures

Transactions with associated persons were handled under the customary terms.

The auditors' fees amounted to EUR 207 thousand for the Sedus Stoll Group (previous year: EUR 216 thousand) and relate to audit services of EUR 153 thousand (previous year: EUR 158 thousand) and tax advisory services of EUR 54 thousand (previous year: EUR 58 thousand).

6.4. Events Occurring After the Reporting Date (Supplementary Statement)

No events of any significance occurred after the reporting date.

STATEMENT OF CHANGES IN EQUITY TO 2018-12-31

	As at 2017-12-31	Group annual profit 2018	Currency changes	Other changes	Profit-related dividend	As at 2018-12-31
in EUR thousand						
Subscribed capital of Sedus Stoll AG	15,255	-	-	-	-	15,255
Capital reserve of Sedus Stoll AG	27,019	-	-	-	-	27,019
Revenue reserve	19,470	-	-	1,365	-	20,835
Goodwill from initial consolidation	261	-	-	-	-	261
Difference in equity from exchange rate conversion	-126	-	-3	-	-	-129
Net retained profits/ net accumulated losses	20,770	9,781	-	-1,365	-2,441	26,745
Equity pertaining to parent company	82,648	9,781	-3	0	-2,441	89,985
Non-controlling interests	-	-	-	-	-	-
Group equity	82,648	9,781	-3	0	-2,441	89,985

STATEMENT OF CHANGES IN EQUITY TO 2017-12-31

	As at 2016-12-31	Group annual profit 2017	Currency changes	Other changes	Profit-related dividend	As at 2017-12-31
in EUR thousand						
Subscribed capital of Sedus Stoll AG	15,255	-	-	-	-	15,255
Capital reserve of Sedus Stoll AG	27,019	-	-	-	-	27,019
Revenue reserve	16,555	-	-	2,915	-	19,470
Goodwill from initial consolidation	261	-	-	-	-	261
Difference in equity from exchange rate conversion	-28	-	-98	-	-	-126
Net retained profits/ net accumulated losses	16,000	9,820	-	-2,915	-2,135	20,770
Equity pertaining to parent company	75,061	9,820	-98	0	-2,135	82,648
Non-controlling interests	-	-	-	-	-	-
Group equity	75,061	9,820	-98	0	-2,135	82,648

Cash Flow Statement

The cash flow statement shows changes effected to cash and cash equivalents of the Sedus Group during the year under review as a result of inflows and outflows of funds. In this

cash flow statement, cash flows are divided into operating activities, investment activities and financing activities.

CASH FLOW STATEMENT		2018	2017
		EUR thousand	EUR thousand
1.	Net income for the financial year	9,781	9,820
2.	+ Depreciation, amortisation and write-downs of fixed assets	9,364	7,740
3.	+ Increase in provisions for pensions	1,968	1,209
	Cash Flow	21,113	18,769
4.	+/- Increase/decrease in other provisions	639	-2,223
5.	-/+ Increase/decrease in inventories	-749	-3,052
6.	-/+ Increase/decrease in trade receivables	-1,003	1,672
7.	-/+ Increase/decrease in other assets that cannot be assigned to investment or financing activity	-1,069	-726
8.	+/- Increase/decrease in trade payables and in other liabilities that cannot be assigned to investment or financing activity	1,461	-222
9.	-/+ Profit/loss from the disposal of fixed assets	-74	-26
10.	+/- Interest charges/Interest income	1,514	1,208
11.	+/- Income tax expenses/income	3,985	3,857
12.	- Taxes paid on earnings	-4,856	-4,346
13.	Net cash provided by operating activities (rows 1 – 12)	20,961	14,911
14.	+ Proceeds from disposal of intangible fixed assets and tangible fixed assets	307	145
15.	+ Proceeds from disposal of financial assets	1,335	0
16.	- Payments on investments in intangible assets	-1,299	-1,130
17.	- Payments on investments in fixed assets	-14,535	-8,033
18.	- Outpayments for investments in financial assets	-25,331	0
19.	+/- Proceeds/payments due to financial investments associated with short-term finance availability	15,000	7,000
20.	+ Interest received	208	163
21.	Net cash used in investing activities (rows 14 – 20)	-24,315	-1,855
22.	+ Proceeds from borrowing	0	5,500
23.	- Repayment of borrowings	-1,631	-608
24.	- Interest paid	-484	-319
25.	- Dividends paid to shareholders of Sedus Stoll AG	-2,441	-2,136
26.	Cash inflow and outflow from financial activities (rows 22 – 25)	-4,556	2,437
27.	= Payment-related changes in financial resource fund (total from rows 13, 21 and 26)	-7,910	15,493
28.	- Exchange rate-related change in financial resource fund	-4	-89
29.	Opening balance of financial resource fund	27,427	12,023
30.	Closing balance of financial resource fund	19,513	27,427

INDEPENDENT AUDITOR'S REPORT

Audit opinions

We have audited the consolidated financial statements prepared by Sedus Stoll Aktiengesellschaft, Dogern, (formerly Waldshut-Tiengen), and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2018, the consolidated profit and loss statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018. We also audited the notes to the consolidated financial statements and the presentation of accounting and valuation principles. In addition, we have audited the Group management report prepared by Sedus Stoll Aktiengesellschaft for the financial year from 1 January to 31 December 2018. In our opinion, based on the findings of our audit,

- in all material aspects, the attached consolidated financial statements comply with the provisions of German commercial law, and, in accordance with German principles of proper accounting, give a true and fair view of the net assets and financial position of the Group on 31 December 2018 as well as the results of operations for the financial year from 1 January to 31 December 2018 and
- the enclosed Group management report provides an accurate presentation of the Group's position as a whole. In all material aspects, this Group management report is consistent with the consolidated financial statements, complies with German statutory provisions and accurately illustrates the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 HGB, we hereby declare that our audit has not given rise to any reservations regarding the accuracy of the consolidated financial statements and the Group management report.

Basis for our audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code (HGB) and German principles of proper auditing promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibilities with regard to these laws and principles is described in greater detail in the "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" section of our audit report. In accordance with provisions of German commercial law and our professional Code of Conduct, we are independent of the Group companies and

have fulfilled our other professional obligations in Germany according to these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of consolidated financial statements that comply with German commercial law in all material aspects, and they must ensure that the consolidated financial statements provide a true and fair presentation of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The legal representatives are also responsible for the internal controls they deem necessary in accordance with German principles of proper accounting in order to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In the preparation of the consolidated financial statements, the legal representatives are responsible for assessing the ability of the Group to continue its business activities. Furthermore, they are responsible for providing information on pertinent issues related to continuation of the Group's business activities. In addition, they are responsible for preparing a balance sheet for the continuation of business activities on the basis of the accounting policy, provided no legal or factual reasons to prevent this apply.

The legal representatives are also responsible for the preparation of a Group management report that provides an accurate presentation of the Group's position as a whole, is consistent with the consolidated financial statements in all material aspects, complies with German law and accurately illustrates the opportunities and risks regarding future development. Furthermore, the legal representatives are responsible for the provisions and measures (systems) deemed necessary on their part to facilitate the preparation of a Group management report in accordance with the applicable German statutory provisions and to provide sufficiently suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for monitoring the accounting processes the Group used for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the auditor for auditing the consolidated financial statements and the Group management report

Our objective is to obtain adequate assurance that the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and that the Group management report provides an accurate presentation of the Group's position as a whole and is consistent with the consolidated financial statements and the findings of the audit in all material aspects, complies with German law and accurately illustrates the opportunities and risks regarding future development, and to issue an audit report that contains our audit opinions on the consolidated financial statements and the Group management report.

Adequate assurance is a high degree of assurance, but does not guarantee that an audit performed in compliance with Section 317 HGB and the German principles of proper auditing promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW) will uncover a material misrepresentation in all instances. Misrepresentations can be the result of infringements or misstatements and are deemed material where, either individually or as a whole, they may reasonably be expected to influence the economic decisions taken by recipients on the basis of these consolidated financial statements and this Group management report.

During the audit due discretion and a critical tenor is exercised on our part. In addition

- we identify and assess the risks of intentional or unintentional material misrepresentations in the consolidated financial statements and the Group management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinions. The risk that material misrepresentations are not discovered is greater in the case of infringements than misstatements since infringements may include fraudulent collaborations, forgeries, intentionally incomplete information, misleading misrepresentations or the abrogation of internal controls.
- we gain an understanding of the internal control system relevant for auditing the consolidated financial statements and the relevant provisions and measures required for auditing the Group management report, in order to plan audit procedures that are appropriate in the given circumstances, however not with the aim of providing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting policies applied by the legal representatives as well as the justifiability of the estimated values and the associated information presented by the legal representatives.
- we draw conclusions regarding the appropriateness of the accounting policy applied by the legal representatives for the continuation of business activities and also ascertain on the basis of the obtained audit evidence whether there is any material uncertainty associated with events and conditions that would raise significant doubts about the ability of the Group to continue its business activities. In the event we consider material uncertainty exists, we are obliged to call attention to the corresponding information in the consolidated financial statements and the Group management report in our audit report, or, should this information be unreasonable, to amend our respective audit opinion. We reach our conclusions on the basis of the audit evidence obtained by us up to and including the date of our audit report. Future events or conditions could result in the Group being unable to continue its business activities.
- we evaluate the overall presentation, the structure and content of the consolidated financial statements, including the information on whether the consolidated financial statements portray the underlying business transactions and events in a way that ensures the consolidated financial statements accurately convey the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting.
- in order to provide audit opinions on the consolidated financial statements and the Group management report, we obtain sufficiently suitable audit evidence to support the accounting information relating to Group companies and business activities. We are responsible for the guidance, monitoring and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we evaluate the consistency of the consolidated financial statements and the Group management report, their compliance with the law and the picture they convey with regard of the state of the Group.
- we perform audit tasks in relation to the future-oriented statements furnished by the legal representatives in the Group management report. In doing so, on the basis of sufficiently suitable audit evidence, we specifically retrace the material assumptions on which the future-oriented statements provided by the legal representatives are based and assess whether the commensurate statements were properly derived from these assumptions. We do not provide an independent audit opinion on the future-oriented statements as well as the underlying assumptions. There is a considerable, unavoidable risk that future events will deviate substantially from the future-oriented statements.

The intended scope and timetable of the audit as well as significant audit findings, including potential deficiencies in the internal control system revealed during our audit, are discussed together with the persons responsible for monitoring.

Essen, 21 March 2019

PricewaterhouseCoopers GmbH
Auditing company

Stefan Wienands
Auditor

ppa. Holger Brauner
Auditor

Multi-Year Summary

Sedus Stoll Group

		2014		2015	
FROM THE PROFIT AND LOSS STATEMENT		% of turnover		% of turnover	
Turnover	EUR thousand	157,938	100.0	178,976	100.0
Variance	%	-0.2	—	13.3	—
of which in Germany	EUR thousand	96,238	60.9	100,215	56.0
of which abroad	EUR thousand	61,700	39.1	78,761	44.0
Cost of materials	EUR thousand	60,497	38.3	71,641	40.0
Personnel expenses	EUR thousand	52,340	33.1	57,157	31.9
Development costs	EUR thousand	4,504	2.9	4,479	2.5
Net income for the financial year	EUR thousand	6,147	3.9	10,892	6.1
Dividend	EUR thousand	1,831	—	2,135	—
Dividend per no-par value share	EUR	6,00	—	7,00	—
Return on sales	%	3.9	—	6.1	—
FROM THE BALANCE SHEET		% of balance sheet total		% of balance sheet total	
Balance sheet total	EUR thousand	115,292	100.0	126,929	100.0
Fixed assets	EUR thousand	48,773	42.3	44,681	35.2
Current assets and prepaid expenses	EUR thousand	66,518	57.7	82,247	64.8
Equity	EUR thousand	58,723	50.9	67,847	53.5
Share capital of Sedus Stoll AG	EUR thousand	15,255	13.2	15,255	12.0
Reserves of the Group	EUR thousand	39,479	34.2	39,479	31.1
Consolidated net retained profits/ net accumulated losses	EUR thousand	3,989	3.5	13,051	10.3
Debt and debt-like items	EUR thousand	56,569	49.1	59,082	46.5
Debt-to-equity ratio ¹⁾	%	96.3	—	87.1	—
Equity-to-fixed-assets ratio ²⁾	%	120.4	—	151.8	—
Equity return ³⁾	%	10.5	—	16.1	—
Return on assets ⁴⁾	%	6.7	—	9.7	—
FROM THE CASH FLOW STATEMENT		% of turnover		% of turnover	
Depreciation, amortisation and write-downs (incl. goodwill amortisation)	EUR thousand	8,827	5.6	8,474	4.7
Investments (excluding financial assets)	EUR thousand	3,990	2.5	4,755	2.7
Cash Flow	EUR thousand	16,899	10.7	21,713	12.1
AVERAGE NUMBER OF EMPLOYEES ACROSS ALL QUARTERS					
(excluding management boards, managing directors and trainees)		829	—	821	—
of which in Germany		766	—	761	—
of which abroad		63	—	60	—

¹⁾ Ratio of third-party capital and equity

²⁾ Ratio between equity and current assets

³⁾ Ratio between annual surplus/deficit to equity

⁴⁾ Ratio between total from annual surplus/deficit and third-party capital interest changes on the balance sheet total

⁵⁾ Subject to approval of the annual general meeting of 3 June 2019

2016		2017		2018	
	% of turnover		% of turnover		% of turnover
188,495	100.0	191,150	100.0	212,283	100.0
5.3	—	1.4	—	11.1	—
103,855	55.1	107,897	56.4	110,536	52.1
84,640	44.9	83,253	43.6	101,747	47.9
72,900	38.7	74,572	39.0	85,328	40.2
57,413	30.5	61,450	32.1	65,506	30.9
4,874	2.6	5,087	2.7	5,670	2.7
9,483	5.0	9,820	5.1	9,781	4.6
2,135	—	2,441 ⁵⁾	—	2,441 ⁵⁾	—
7,00	—	8,00 ⁵⁾	—	8,00 ⁵⁾	—
5.0	—	5.1	—	5.1	—
	% of balance sheet total		% of balance sheet total		% of balance sheet total
138,217	100.0	150,512	100.0	161,524	100.0
46,500	33.6	47,795	31.8	78,030	48.3
91,717	66.4	102,717	68.2	83,494	51.7
75,061	54.3	82,648	54.9	89,985	55.7
15,255	11.0	15,255	10.1	15,255	9.4
43,806	31.7	46,623	31.0	47,711	29.5
16,000	11.6	20,770	13.8	26,745	16.6
63,157	45.7	67,864	45.1	71,539	44.3
84.1	—	82.1	—	79.5	—
161.4	—	172.9	—	115.3	—
12.6	—	11.9	—	10.9	—
7.8	—	7.4	—	6.9	—
	% of turnover		% of turnover		% of turnover
7,840	4.2	7,740	4.0	9,364	4.4
10,019	5.3	9,164	4.8	15,834	7.5
19,257	10.2	18,769	9.8	21,113	9.9
841	—	873	—	935	—
782	—	809	—	864	—
59	—	64	—	71	—

Date for 2019

General meeting

Dogern Headquarters

3 June 2019

17.00 hrs (5 p.m.)

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