

Annual Report

2019

LUBRICANTS.
TECHNOLOGY.
PEOPLE.



FUCHS at a glance

FUCHS Group

Amounts in € million	2019	2018	Change in %
Sales revenues¹	2,572	2,567	0
Europe, Middle East, Africa (EMEA)	1,579	1,618	-2
Asia-Pacific	718	706	2
North and South America	418	409	2
Consolidation	-143	-166	-14
Earnings before interest and tax and before income from companies consolidated at equity	310	357	-13
in % of sales revenues	12.1	13.9	
Earnings before interest and tax (EBIT)	321	383	-16
Earnings after tax	228	288	-21
in % of sales revenues	8.9	11.2	
Investments in long-term assets	154	121	27
in % of scheduled depreciation ²	211	209	
Free cash flow before acquisitions³	175	147	19
Shareholders' equity	1,561	1,456	7
in % of balance sheet total	77.2	77.0	
Balance sheet total	2,023	1,891	7
Employees as at December 31⁴	5,627	5,446	3
Earnings per share (in €)			
Ordinary share	1.63	2.06	-21
Preference share	1.64	2.07	-21
Proposed dividend/dividend (in €)			
per ordinary share	0.96	0.94	2
per preference share	0.97	0.95	2

¹ By company location. Previous year's figures comparable.

² Capital expenditure excluding financial assets.

³ Including divestments.

⁴ Including trainees.

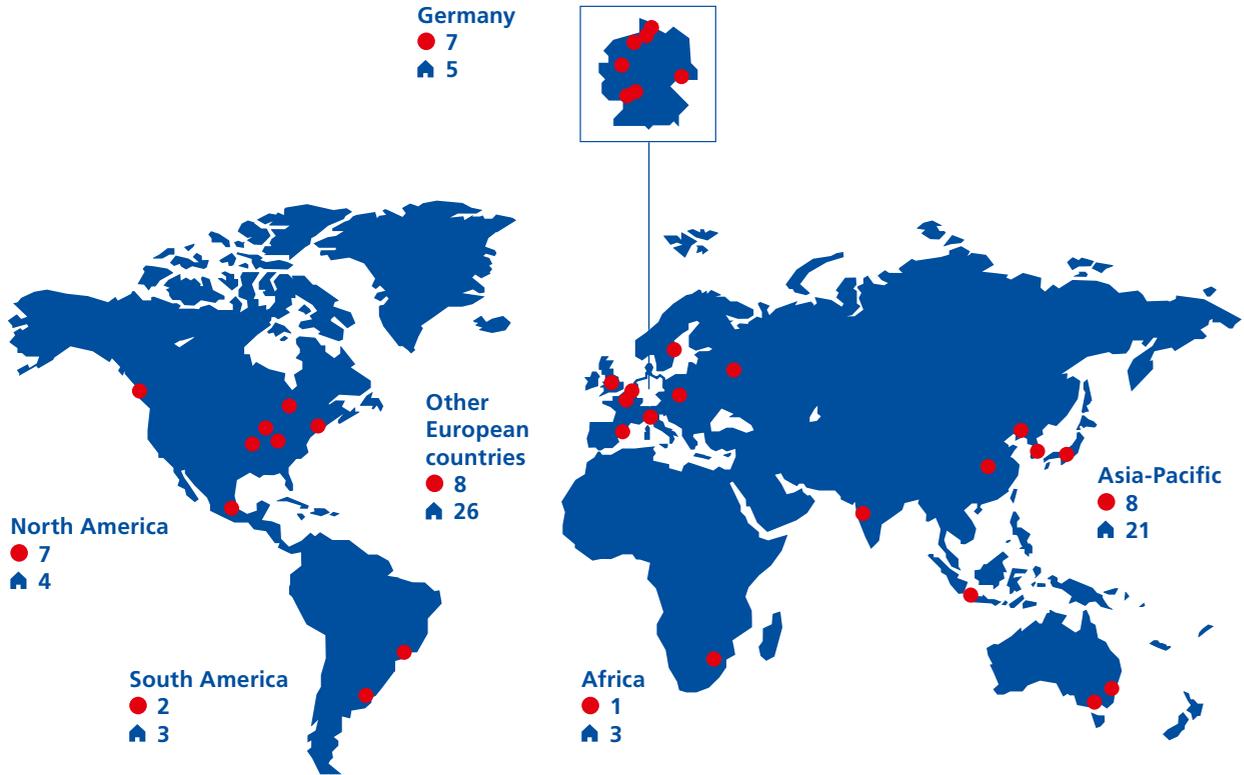


Brief profile

FUCHS develops, produces and sells a full portfolio of lubricants and related specialties for virtually all industries and areas of application. Founded as a family company in Mannheim in 1931, today FUCHS is the world's largest supplier among the independent lubricant manufacturers with around 5,600 employees in 50 countries.

Our more than 100,000 customers include automotive suppliers and OEMs, companies in the engineering, metalworking, mining and exploration, aerospace, power generation, construction and transport sectors, agriculture and forestry, steel, metal, cement, casting and forging industries as well as in the food industry and the glass manufacturing sector. FUCHS lubricants are tailor-made, stand for performance and sustainability, safety and reliability, efficiency and cost savings and meet the highest quality standards.

Group companies and production locations (as at December 31, 2019)



Total
● 33 Production locations
🏠 62 Operating companies

Group structure

FUCHS PETROLUB SE is the parent company of the FUCHS Group, which predominantly owns subsidiaries directly and at 100%. As of December 31, 2019, the Group comprised 62 operating companies, of which five conduct their business activities in Germany and 57 abroad. The consolidated financial statements also include non-operating holding and management companies, which together increase the number of consolidated companies to 68. There are also five associated companies and joint ventures accounted for using the equity method.

The organizational and reporting structure is divided into the following regions: EMEA, Asia-Pacific, North and South America.

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To our shareholders

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To our shareholders

1.1 Letter to our shareholders

Dear shareholders,

In a difficult economic environment, we generated sales revenues at the previous year's level of €2.6 billion. As expected, earnings were down compared to the previous year. However, once again, we financed the significant investments, the acquisitions and the dividend payment from the current year's cash flow. The continuously high cash generation and the solid balance sheet have led the Executive Board and Supervisory Board to propose the 18th consecutive dividend increase in a row.

The trade conflict between America and China resulted in a weak start into the year 2019 in China and this also had an impact on Germany. In the US there was a stronger start to the reporting year. Over the year, the situation was reversed, meaning that we were able slowly to pick up some momentum in China and, at a lower level, in Germany but fared less well in the USA in the fourth quarter. Our 16% decline in operating earnings while sales revenues remained constant was attributable to a planned increase in costs resulting from higher depreciation and amortization linked to investments and inflation adjustments. Part of the decline was due to one-off effects in 2018 and 2019. We worked to counter the increases in costs in the course of 2019 and, for example, did not fill positions that had been budgeted for.

Our growth program is making progress. In Australia, we acquired an automotive aftermarket business, NULON, at the beginning of 2019. At the end of 2019, we acquired expertise in chemical process management, our service offer for large industrial customers, in North America through ZIMMARK. Having obtained all necessary authorizations, we also successfully concluded the US acquisition of NYE Lubricants at the end of January 2020. Here, we succeeded in acquiring a specialty supplier focused on future-oriented technologies. We significantly expanded our involvement in Africa with the investment in three lubricants distributors in Zimbabwe, Zambia and Mozambique as well as the establishment of a joint venture in Tanzania.

We achieved major milestones with our investments: our most modern lubricants plant was opened in Wujiang, China, our joint venture in Turkey opened a state-of-the-art plant in Izmir and we successfully concluded the expansion of the plant in Kaiserslauten and started construction of a polyurethane grease plant. Major expansions, conversions and new construction projects are taking place in Germany, the US, Russia, Sweden and England.



Stefan Fuchs, Chairman of the Executive Board

1.1 Letter to our shareholders

In 2019, we consistently continued the FUCHS2025 initiative with the three pillars of culture, structure and strategy, which was launched in 2018. In terms of structure, it is important to us to support our country organizations with uniform global standards and processes. The continuation of our successful corporate culture in the sense of a non-hierarchical discussion and an open feedback culture has taken shape and is something we address on a daily basis. Our internal strategy team has drawn up a strategy for the FUCHS Group, which we will hand over to our global team for local development in the first quarter. Overall, we still see considerable growth potential for the future based on this approach.

For the year 2020 we are planning increases in sales revenues and earnings, however it is difficult today to foresee the extent to which the Covid-19 virus and its economic

consequences will have a negative impact on us. On the cost side we will proceed in a disciplined manner and on the investment side we will continue the growth program.

Managing the company sustainably and, in so doing, minimizing our CO₂ footprint is a matter that is very close to our heart. We plan to make our production CO₂ neutral from 2020 onwards. We have many projects to minimize CO₂ emissions in our factories and will offset unavoidable emissions through certified compensation measures. Our FUCHS Sponsorship Award, which we have awarded to social projects here in Mannheim for the 20th year, was increased in value and duly celebrated on the occasion of the anniversary.

Dear shareholders, we are confident about the future based on the impetus provided by FUCHS2025. This is the

basis for our continuous dividend policy. I would like to thank you in the name of my Executive Board colleagues for your trust in the company and its team. I also would like to thank our global team for their outstanding support and great team performance in the past year.

Mannheim, March 19, 2020

Stefan Fuchs

Chairman of the Executive Board

1.2 Organization

The Executive Board

Stefan Fuchs, Chairman



Dagmar Steinert



Dr. Ralph Rheinboldt



Dr. Lutz Lindemann



Dr. Timo Reister

Group Management Committee



Dr. Timo Reister
Asia-Pacific,
North and South America

Alf Untersteller
Turkey, Middle East,
Central Asia and Africa

Stefan Fuchs
CEO

Dr. Ralph Rheinboldt
EMEA

Klaus Hartig
East Asia

Carsten Meyer
OEM and
Mining Division

Stefan Knapp
Germany and
Benelux

Bernhard Biehl
LUBRITECH Division

Dagmar Steinert
CFO

Keith Brewer
America

Dr. Lutz Lindemann
CTO

1.3 Report of the Supervisory Board

Dear shareholders,

The financial year 2019 was also challenging for the FUCHS Group. For the first time in many years, it was not possible to increase sales revenues. The slowdown in the economy, which exceeded expectations, especially in the automotive industry, prevented FUCHS from achieving its growth target. The Executive Board reacted rapidly to this market weakness and adjusted costs vigorously. At the same time, measures to shape the future, namely substantial investments and a series of acquisitions were continued. The company remains solidly financed.

Work performed by the Executive Board and Supervisory Board

In financial year 2019, the Supervisory Board again performed its advisory and monitoring duties with great care in accordance with the requirements of law, the company's Articles of Association, the German Corporate Governance Code and its rules of procedure.

There was a change in the Supervisory Board in the first half of the year. At the end of the Annual General Meeting on May 7, Dr. Bock replaced Dr. Hambrecht, amongst the employee representatives, Mr. Lehfeldt replaced Mr. Münkkel. The Supervisory Board and the Executive Board continued their full and effective cooperation in the financial year 2019. The Chairman of the Executive Board regularly and immediately informed the Chairman of the

Supervisory Board of all significant and important events. In addition to this, the Supervisory Board and Executive Board also remained in close contact outside scheduled meetings to ensure a constant exchange of information and opinions.

In its December 2019 meeting, the Supervisory Board examined the efficiency of its own activities and did not determine any significant need for improvement in this regard. The Supervisory Board has an appropriate number of independent members within the meaning of number 5.4.2 of the German Corporate Governance Code (2017 version). No conflicts of interest arose either in the case of the Executive Board members or Supervisory Board members in the reporting period.

Reports and board meetings

In a total of six meetings of the Supervisory Board in 2019, in each of which all members of the Supervisory Board participated, the Executive Board promptly and comprehensively informed the Supervisory Board, both in written and oral form, about the company's corporate policy, business development, profitability, liquidity and risk situation, and on all relevant questions regarding strategic advancements in accordance with the duties set out in the rules of procedure. Discussions also regularly focused on reports from the Committees as well as on budget monitoring



Dr. Kurt Bock, Chairman of the Supervisory Board

including the development of the investments and key investment and acquisition projects. Following proportionate examination and consultation, the Supervisory Board approved the proposed resolutions of the Executive Board, insofar as this was necessary based on applicable legislation or the company's Articles of Association.

In the balance sheet meeting on March 19, 2019, the Board conclusively reviewed, discussed and approved the annual and consolidated financial statements as well as the combined management report and the non-financial

1.3 Report of the Supervisory Board

declaration of FUCHS PETROLUB SE, the Executive Board's proposal for the appropriation of profits and the dependent company report in the presence of the auditor. The proposed resolutions for the agenda for the ordinary Annual General Meeting 2019 of FUCHS PETROLUB SE were also approved in this meeting. Finally, the Supervisory Board informed itself in detail about the Group's human resources strategy.

In the meeting held immediately before the Annual General Meeting on May 7, 2019, discussions focused on the report by the Executive Board on the current business performance of the Group after the end of the first quarter, investment and acquisition projects and measures to cut costs. In the meeting held immediately after the Annual General Meeting, the election of the Chairman of the Supervisory Board and new elections to the Personnel Committee and the Nomination Committee took place. Dr. Kurt Bock was elected as Chairman of the Supervisory Board and as a member of both committees.

In the meeting held on July 12, 2019, the Supervisory Board dealt with the business performance of the Group, the investment and acquisition projects and the current status of the FUCHS2025 project. It also obtained information about the business development of FUCHS SCHMIERSTOFFE GMBH and took part in a tour of the plant and laboratory at the Mannheim site.

The company's strategy, the FUCHS2025 project and the discussions about the position of the Group and of Group companies in Germany and abroad were key items of the

meeting of the Supervisory Board on October 9, 2019. The Supervisory Board also dealt with the likely changes to the German Corporate Governance Code in the 2019 draft version.

In the meeting held on December 16, 2019, the Supervisory Board examined the position of the Group, the budget for 2020 including the investment budget and looked at current acquisition-related topics. It informed itself about the opportunity and risk management, the results and recommendations of the Internal Audit and the 2020 audit plan. The Supervisory Board also examined topics from the compliance organization and the preparation for the 2020 Annual General Meeting. Finally, the Supervisory Board dealt with the non-financial declaration together with the key figures associated therewith. The 2019 declaration of compliance with the German Corporate Governance Code was approved and adjustments to the rules of procedure of the Supervisory Board were resolved. The Supervisory Board also amended the Executive Board contracts with regard to the anticipated changes to the German Corporate Governance Code on the recommendation of the Personnel Committee. On the basis of the target achievement determined by the Personnel Committee, the Supervisory Board also stipulated the performance factor to determine the variable compensation component of the Executive Board members for the financial year 2019.

Work of the committees

The Supervisory Board has three committees: The Audit Committee, the Personnel Committee and the Nomination Committee. The chairmen of the committees reported

on the relevant work of the respective committees in the subsequent meeting of the Supervisory Board.

The **Audit Committee** held four meetings in the reporting year. The CFO and heads of the Finance and Controlling as well as the Accounting departments regularly attended the meetings. The auditor was present at three meetings for individual agenda items. The committee focused on the annual financial statements of FUCHS PETROLUB SE and the consolidated financial statements alongside the Combined Management Report, the non-financial declaration, the monitoring of the financial accounting process, the effectiveness of the internal control system, the risk management system, the activities of Internal Audit and compliance topics.

The Audit Committee always discussed the Group's quarterly statements and the half-year financial report in detail before their publication. In addition, it defined the key areas of the audit for the reporting year, awarded the audit assignment to the auditor and addressed the new accounting and reporting regulations.

The **Personnel Committee** advises the Supervisory Board on personnel matters pertaining to the Executive Board and prepares its decisions. In the reporting year, a meeting took place on December 15, 2019, in which the committee addressed particularly the determination of the performance factor on which the Executive Board's variable remuneration is based for the financial year 2019, in particular, and the proposals for adjustments to the Executive Board contracts. As a result, an increase in the fixed

1.3 Report of the Supervisory Board

Overview of members' attendance at each meeting in the financial year 2019

Responsibilities	Members	Attendance/meetings
Supervisory Board	Dr. Kurt Bock, from May 7, 2019 (Chairman)	4/4
	Dr. Jürgen Hambrecht, until May 7, 2019 (Chairman)	2/2
	Dr. Erhard Schipporeit (Deputy Chairman, financial expert)	6/6
	Dr. Susanne Fuchs	6/6
	Jens Lehfeldt, from May 7, 2019	4/4
	Horst Münkel, until May 7, 2019	2/2
	Ingeborg Neumann (Financial Expert)	6/6
	Lars-Eric Reinert	6/6
Personnel Committee	Dr. Kurt Bock, from May 7, 2019 (Chairman)	1/1
	Dr. Jürgen Hambrecht, until May 7, 2019 (Chairman)	0/0
	Dr. Susanne Fuchs	1/1
	Dr. Erhard Schipporeit	1/1
Audit Committee	Dr. Erhard Schipporeit (Chairman, financial expert)	4/4
	Dr. Susanne Fuchs	4/4
	Ingeborg Neumann (financial expert)	4/4
Nomination Committee	Dr. Kurt Bock, from May 7, 2019 (Chairman)	0/0
	Dr. Jürgen Hambrecht, until May 7, 2019 (Chairman)	0/0
	Dr. Susanne Fuchs	0/0
	Dr. Erhard Schipporeit	0/0
	Ingeborg Neumann	0/0

basic remuneration, which is also reflected in an increase in the pension, and a greater emphasis on the long-term variable remuneration was recommended to the Supervisory Board.

The **Nomination Committee** whose task is to propose suitable candidates to the Supervisory Board for its nominations to the Annual General Meeting did not meet in the reporting year.

Audit of annual and consolidated financial statements

As per resolution of the Annual General Meeting of May 7, 2019, the Audit Committee commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (PwC) to audit the 2019 annual financial statements and consolidated financial statements, including the management report. The auditor submitted and explained his declaration of independence.

PwC audited the financial statements for the financial year 2019 prepared in accordance with the German Commercial Code (HGB), as well as the consolidated financial statements of SE prepared pursuant to the IFRS international accounting standards to be applied in the EU, and the Combined Management Report and granted an unqualified auditor's opinion. In doing so, the auditor examined the key areas of the audit defined for the reporting period by the Audit Committee when engaging the auditor in more detail. In particular, the auditor confirmed that the Executive Board had set up a suitable monitoring system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) capable of identifying developments that jeopardize the continued existence of the company at an early stage. During the audit, the auditor did not identify any facts that contradict the Declaration of Compliance with the German Corporate Governance Code published by FUCHS PETROLUB SE in 2019. It also did not identify any reasons for its own exclusion or bias.

1.3 Report of the Supervisory Board

The Supervisory Board conducted its own thorough examination of the annual and consolidated financial statements, the combined management report, the non-financial declaration and the proposal for the appropriation of profits. The audit reports of the auditor were submitted to all members of the Supervisory Board in good time and were discussed comprehensively in the Audit Committee meeting on March 4, 2020, as well as in the Supervisory Board's balance sheet meeting on March 18, 2020. The auditor took part in both meetings.

The auditor reported on the main findings of the audit, and was available to answer additional questions and provide extra information. The Supervisory Board acknowledged and approved the results of the audit. There are no objections made against the reporting by the Executive Board based on the final results of the audit by the Audit Committee or the Supervisory Board's own audit. The Supervisory Board approved the financial statements submitted by the Executive Board and thereby approved the 2019 annual financial statements of FUCHS PETROLUB SE. The Supervisory Board endorsed the Executive Board's proposal for the appropriation of profits.

The Executive Board reported on its relationship to affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG). The external auditors examined the report as ordered, submitted the results of this examination to the Supervisory Board in writing and issued the following audit opinion: "We have audited in accordance with our professional duties and confirm that

1. the actual statements made in the report are correct and
2. the payments or other contributions made by the company in connection with the legal transactions listed in the report were not unreasonably high."

The Supervisory Board took note of and approved the results of the audit performed by the independent auditors. In keeping with its own findings, the Supervisory Board has no objections to the statement made by the Executive Board.

Thanks

The Supervisory Board would like to thank the members of the Executive Board, all employees of the FUCHS Group and the employee representatives for their dedicated commitment, personal contributions and constructive cooperation for the benefits of the company.

A special thanks of the Supervisory Board goes to the members who have left for their positive and constructive cooperation, especially to Dr. Hambrecht, who has led the Supervisory Board since 2011 as its Chairman. As Chairman of the Works Council, Mr. Münkler has been a member of the Supervisory Board representing the employees since 2009.

Mannheim, March 18, 2020

The Supervisory Board

Dr. Kurt Bock
Chairman of the Supervisory Board

1.4 FUCHS on the capital market

Stock markets in 2019 trending upwards again

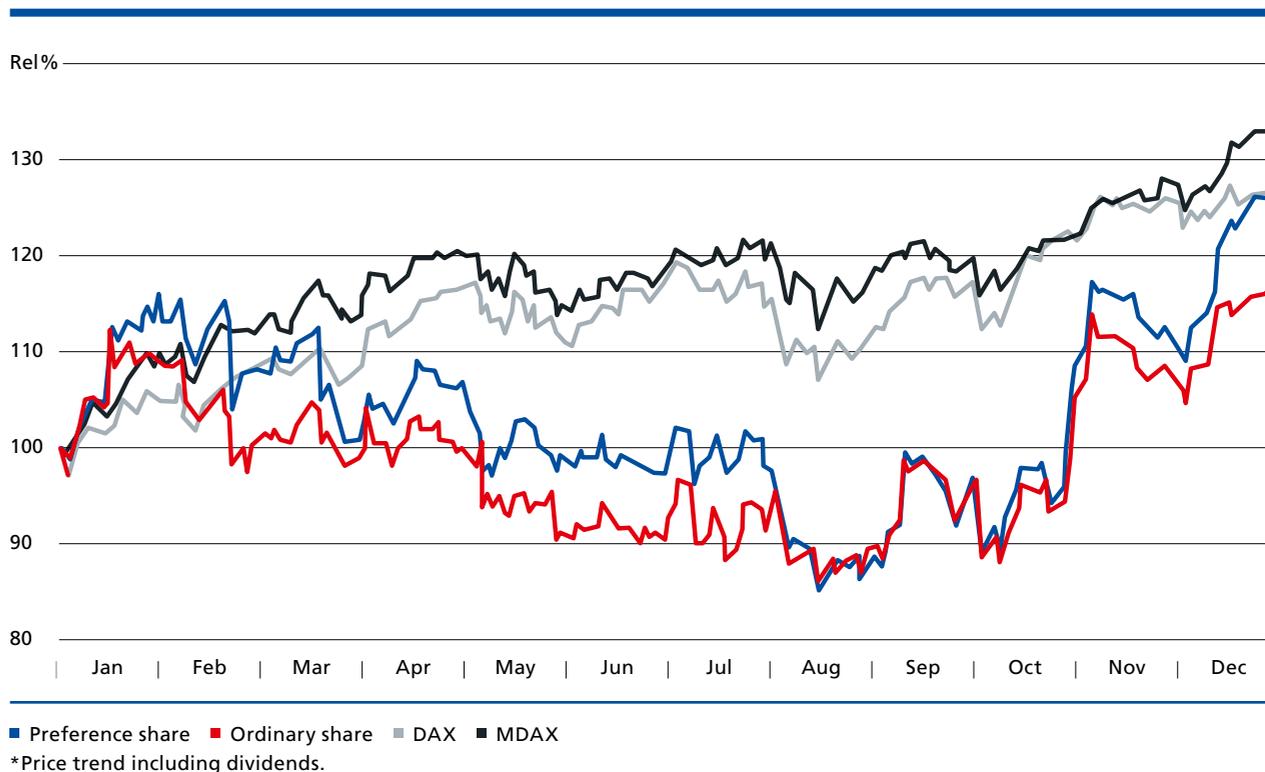
Despite the gloomy economic situation and various uncertainties, such as the continuing trade conflict between the US and China as well as the Brexit, the global stock markets performed very well overall in 2019. They had fallen sharply in 2018, especially towards the end of the year. In this respect, the key indices started the new year relatively well.

Germany's leading index, the DAX, hit its annual low of 10,417 points right at the beginning of the year on January 3, 2019. The annual low of the MDAX, on which the FUCHS preference share is listed as the more liquid of the two FUCHS share classes, occurred on the same date at 21,398 points. Subsequently, both indices rose steadily before trending downwards somewhat more strongly for the first time in the summer. However, an unbroken upward trend started in August 2019, which lasted until the end of the year, resulting in both indices moving steadily higher. The DAX reached its annual high on December 27, 2019, at 13,337 points. It closed the year at 13,249 points (10,559), which equates to an increase of 25.5% compared to the previous year. The MDAX also recorded its annual high just before the end of the year on December 23, 2019, at 28,545 points. The year-end closing price of 28,313 points (21,588) resulted in an increase of 31.2% compared to the previous year.

FUCHS shares with a positive performance

Both the FUCHS preference share and the FUCHS ordinary share developed slightly weaker than the MDAX in the first few months of 2019. The main reasons were the outlook

Performance* of ordinary and preference shares in comparison with DAX and MDAX
(January 1 – December 31, 2019)



which included a reduction in the earnings forecast for 2019 when the figures for full-year 2018 were published and the publishing of the quarterly statement for the first quarter of 2019. The publication of the half-yearly figures in conjunction with a downward revision of the sales revenues

and earnings forecast for full-year 2019 and the general market weakness exerted further pressure on the share price. The preference share reached its annual low of €31.74 on October 2, 2019. The annual low of the FUCHS ordinary share occurred on October 8, 2019, at €30.70.

1.4 FUCHS on the capital market

In the fall, however, positive news from the company led to a sharp rise in the price of FUCHS shares, which continued until the end of 2019. The FUCHS Group's earnings in the third quarter and in the nine-month period were better than initially expected, which also led to a slightly more positive outlook. The preference share reached its annual high on December 27, 2019, with a share price of €44.30. It closed the final trading day at €44.16 (35.98) and therefore, achieved a year-on-year gain of 22.7%. Taking the dividend payment into account, the FUCHS preference share posted an annual performance of 26.1%. For the ordinary share, the closing price of €39.95 (35.00) on December 30, 2019, was also its annual high with a gain of 14.1% compared with the closing price of December 28, 2018. If the dividend is taken into account, this leads to an overall performance for FUCHS ordinary shares of 17.4% for financial year 2019.

Basic information of the FUCHS shares

FUCHS PETROLUB SE has issued two share classes: divided equally between ordinary and preference shares. As the more liquid of the two FUCHS share classes, FUCHS preference shares have been listed on the MDAX, the second largest German stock index, since 2008. In addition to listing in the so called Prime Standard and a free float of more than 10%, the market capitalization of the free float and the stock exchange turnover (liquidity) are criteria for the index membership.

The market capitalization of the FUCHS shares was €5.8 billion (4.9) at the end of 2019. With a weighting of 1.16% (1.19), FUCHS therefore ranked 32 (34) in the MDAX. In terms of liquidity, the preference share ranked 55 (57) in the MDAX.

The international significance of the FUCHS preference shares was also reflected by the fact that they are included

in the STOXX Europe 600, which lists the 600 largest companies from 17 European countries.

The ordinary shares of FUCHS PETROLUB SE are included in the DAXplus Family. This index of the German Stock Exchange comprises the companies in the Prime Standard of the Frankfurt Stock Exchange in which the founding family has a significant stake.

Capital market dialog further intensified

FUCHS PETROLUB SE is committed to an intensive dialog with its shareholders, analysts and all other capital market participants. The aim is to strengthen trust in our company on a sustained basis. All shareholders are always informed promptly, transparently and comprehensively of all major events in the FUCHS Group.

In recent years, the company stepped up its investor relations activities. The Chairman of the Executive Board, the Chief Financial Officer and the Investor Relations team shared information through international conferences and roadshows and in numerous one-on-one meetings with institutional investors in 2019.

We also kept the public regularly informed of current developments through press releases and ad hoc disclosures. The Investor Relations team were also in contact with private investors and press representatives by phone and by e-mail.

All corporate information is also available on our website.

→ www.fuchs.com/group/investorrelations

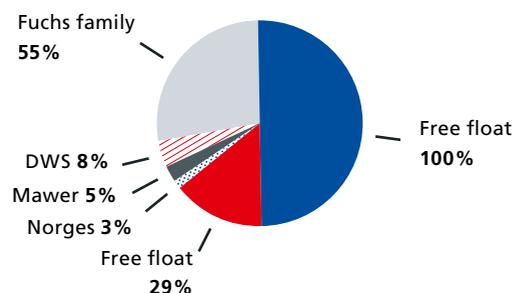
Basic share information

	Ordinary share	Preference share
WKN	WKN 579040	WKN 579043
ISIN	DE0005790406	DE0005790430
Ticker	FPE	FPE3
Trading segments	Regulated market/Prime Standard	Regulated market/Prime Standard
Trading venues	XETRA and all German regional stock exchanges	XETRA and all German regional stock exchanges
Selected indices	DAXplus Family, Classic All Share, Prime All Share	MDAX, CDAX, HDAX, Classic All Share, Prime All Share, DAX International 100, STOXX Europe 600

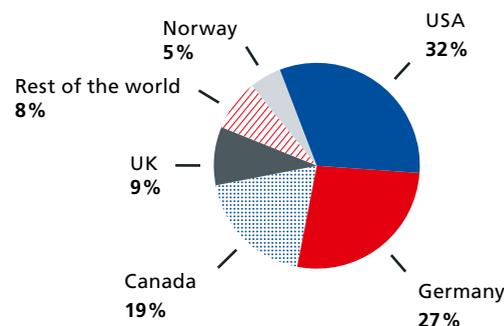
1.4 FUCHS on the capital market

Shareholder structure as of December 31, 2019

69,500,000 Ordinary shares | 69,500,000 Preference shares



Regional breakdown of institutional investors



Basis: Identified institutional investors.

Source: Factset

Stable shareholder structure

FUCHS PETROLUB SE's issued capital of €139 million is divided into 69,500,000 ordinary shares and 69,500,000 preference shares, each with a nominal value of €1.00 per share. At the end of 2019 55% of the ordinary shares were held by the Fuchs Family. The preference shares were entirely in free float.

Due to the legal form of the shares (bearer shares), FUCHS does not have a share register. The notification requirements of Sections 33 et seq. of the German Securities Trading Act (WpHG) relate exclusively to the ordinary shares with voting rights.

We did not receive any voting rights disclosures from institutional investors about exceeding or falling below thresholds in 2019. All previous voting rights disclosures can be found on our website.

→ www.fuchs.com/votingrightdisclosures

Strong demand for employee shares

FUCHS PETROLUB SE has been offering employees at its German companies ordinary shares at preferential conditions since 1985. In 2019, each employee had the opportunity to purchase a maximum of 30 shares with a discount of €5.00 per share. 529 (621) employees made use of this opportunity and therefore purchased 14,970 shares in total. The newly acquired shares are subject to a vesting period of one year.

1.4 FUCHS on the capital market

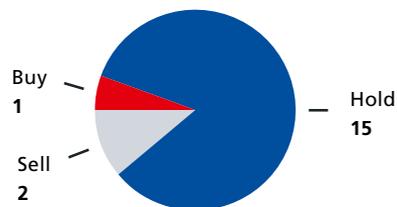
Analyst coverage extended

FUCHS is monitored and continually assessed by a large number of international financial analysts. At the end of 2019, 19 (18) analysts regularly published their assessment of current developments and the prospects for the company. A new addition was the coverage by Bank of America Merrill Lynch.

- Baader Bank
- Bank of America Merrill Lynch
- Bankhaus Lampe
- Berenberg Bank
- Commerzbank
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Hauck & Aufhäuser
- HSBC Trinkaus & Burkhardt
- Independent Research
- Kepler Cheuvreux
- Landesbank Baden-Württemberg
- MainFirst Bank
- Metzler Equity Research
- Nord LB
- Pareto Securities
- UBS
- Warburg Research

Analyst recommendations*

December 31, 2019



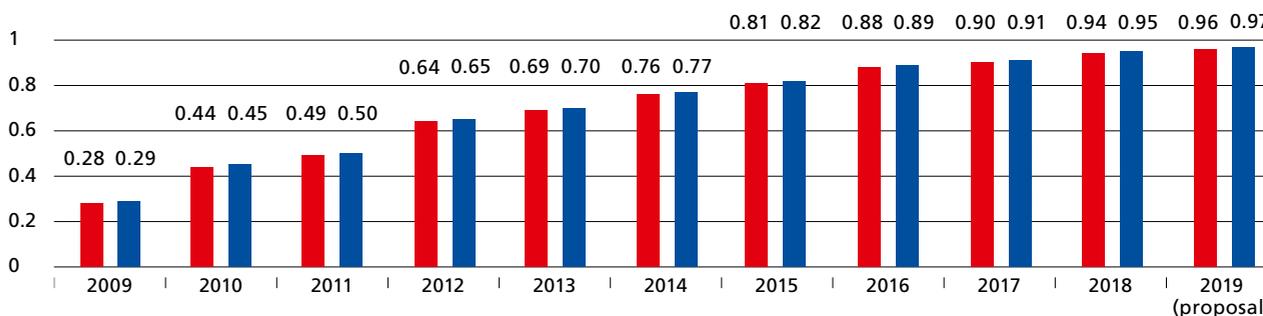
*From one institution there was no current investment recommendation available as of the end of the year.

Current information on this can always be found on our website under Investor Relations.

→ www.fuchs.com/analysts

Dividend development

(in € per share)



■ Preference share ■ Ordinary share

Continuous dividend policy

FUCHS PETROLUB SE pursues the policy of a steadily rising or at least stable dividend. The aim is that shareholders should participate in the company's success via an appropriate distribution. Accordingly, the company has continuously increased the dividend for 18 years and has not cut it for 27 years. Based on the attractive business model and the long-term focus of the company, this reinforces the successful corporate development in which shareholders participate in the form of continuously increasing dividends. The average dividend increase of the FUCHS preference shares amounted to 13% per year in the last ten years, whereby the absolute dividend increased by 235% in total.

1.4 FUCHS on the capital market

For the financial year 2019, the Executive Board and Supervisory Board propose distributing €134 million (131) from unappropriated profits and consequently paying a dividend of €0.96 (0.94) per ordinary share and €0.97 (0.95) per preference share. This equates to a payout ratio of 59% (46).

Annual General Meeting passes resolutions by a large majority

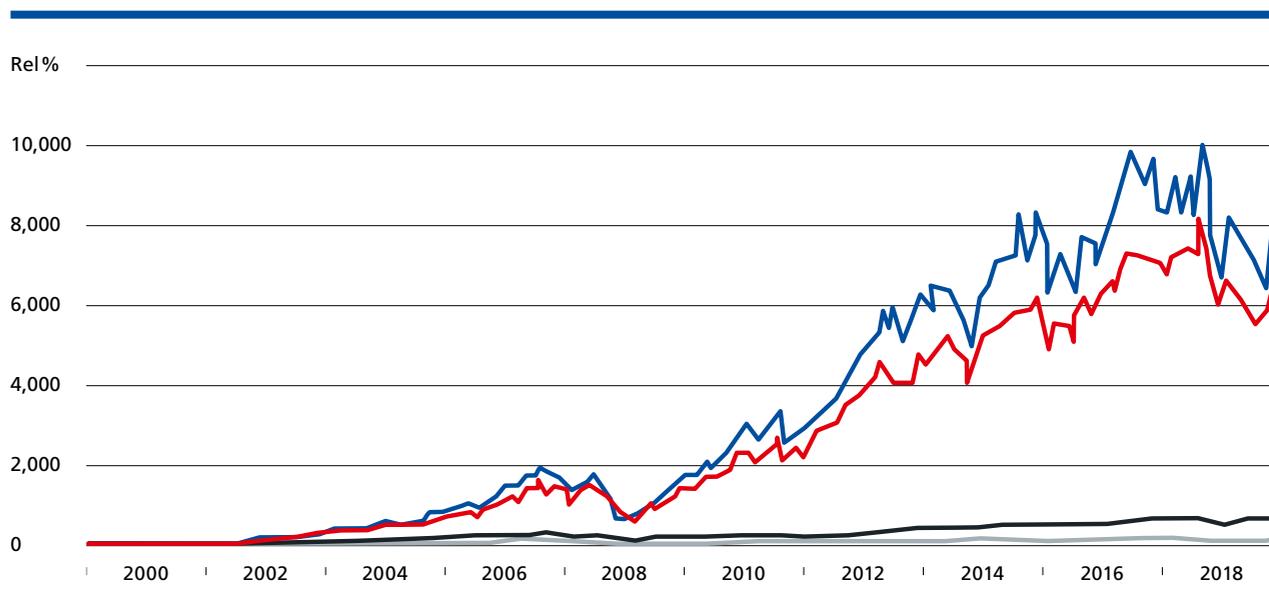
FUCHS PETROLUB SE's Annual General Meeting took place in Mannheim on May 7, 2019. In total, 81.5% of the ordinary shares with voting rights and 3.4% of the preference shares were represented there. Together this equates to 42.5% of the share capital. All management's proposals were accepted by a clear majority of the shareholders present. This also included the dividend distribution of €131 million in total for the financial year 2018, which took place on May 10, 2019. The voting results and all other information about the Annual General Meeting are available on the FUCHS website.

→ www.fuchs.com/annualmeeting

Historical performance

Historical performance* of ordinary and preference shares in comparison with DAX and MDAX

(January 1, 2000–December 31, 2019)



■ Preference share ■ Ordinary share ■ DAX ■ MDAX

*Price trend including dividends.

Average annual performance of FUCHS shares and relevant benchmark indices

December 31, 2019

	1 Year	3 Years	5 Years	20 Years
Preference share *	26.1%	5.2%	8.1%	25.1%
Ordinary share *	17.4%	4.7%	7.2%	23.7%
MDAX	31.2%	8.1%	10.8%	10.1%
DAX	25.5%	4.5%	6.2%	3.4%

*Reinvestment of dividends received. Absolute figures may differ due to rounding.

Source: Bloomberg

1.4 FUCHS on the capital market

Key figures for FUCHS shares

	December 31, 2019		December 31, 2018	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of no-par-value shares at €1/shares outstanding	69,500,000	69,500,000	69,500,000	69,500,000
Dividend (in €)	0.96 ⁶	0.97 ⁶	0.94	0.95
Dividend yield (in %) ¹	2.8	2.6	2.3	2.1
Distribution ratio (in %)	59		46	
Earnings per share (in €) ²	1.63	1.64	2.06	2.07
Carrying amount per share (in €) ³	11.2	11.2	10.5	10.5
XETRA closing price (in €)	39.95	44.16	35.00	35.98
XETRA highest price (in €)	39.95	44.30	47.25	51.20
XETRA lowest price (in €)	30.05	30.62	33.80	34.06
XETRA average price (in €)	34.52	36.95	41.46	44.34
Average daily turnover XETRA and Frankfurt				
Shares	30,007	184,281	27,016	172,062
€ thousand	1,036	6,810	1,120	7,629
Market capitalization (in € million) ⁴	5,846		4,933	
Price-to-earnings ratio ⁵	21	23	20	21

¹ Dividend/average share price × 100.

² Earnings of FUCHS PETROLUB SE shareholders/number of shares.

³ Equity of FUCHS PETROLUB SE shareholders/number of shares.

⁴ Stock exchange values at the end of the year.

⁵ Average share price/earnings per share.

⁶ In line with the proposal for the appropriation of profits by the Executive Board and Supervisory Board, subject to the approval of the Annual General Meeting on May 5, 2020.

Service for shareholders

If you would like to receive regular updates about our company, please register with the investor mailing list on our website. We will then keep you continuously updated about current developments in the Group and send you all the publications that we issue.

→ www.fuchs.com/ir-orderform

We are also happy to answer your questions around the FUCHS share and other capital market-relevant topics in person:

Phone +49 621 3802 1105

Fax +49 621 3802 7274

Mail ir@fuchs.com

Management Report

2

Combined Management Report

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The figures in parentheses refer to the same period of the previous year. Percentages refer to full millions.

2.1 Corporate profile

Business model

LUBRICANTS. 100% focus

FUCHS has been focusing 100% on the development, manufacturing and sale of lubricants and related specialties for more than 85 years. With more than 10,000 products, the company offers its customers a full portfolio of lubricants that comply with exacting national and international standards. Positioned close to the market and its customers, the company can respond quickly and flexibly to requirements in a wide variety of application areas. Its product groups can be broken down into automotive – above all oils and greases – and industrial lubricants, particularly oils, metalworking fluids and lubricants for specialty applications. The product range is rounded off by a comprehensive range of technical and process-related services.

TECHNOLOGY. Holistic solutions

Technologically advanced, process-oriented and holistic lubricant solutions are a key success factor for FUCHS. This is why more than 500 (around 10%) of the employees are employed in research and development work. They work on optimal solutions for our customers, relying on a global network of experts for this purpose. Their special skills and abilities are efficiently interconnected in our global network of experts.

The goal is to further consolidate our technology leadership in existing business areas and to establish and develop it in key new business areas. We rely on the efficiency, reliability, safety and sustainability of our lubricants along the entire process and value chain.

PEOPLE. Personal commitment

Around 5,600 qualified and specialized employees worldwide are committed to satisfying our customers. They provide the basis of our success with their personal commitment. In intensive and trusting relationships with our customers and business partners, they work constantly at offering the best lubricant solution.

Global customer service through internationality and scale

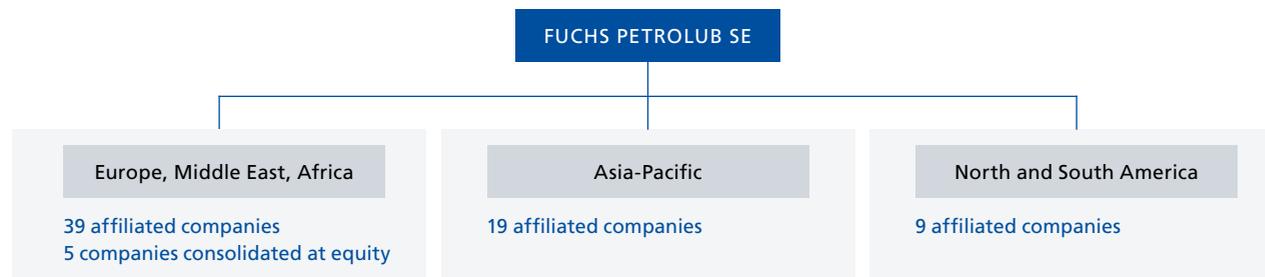
FUCHS' business success is also based on its global presence and extensive product and customer portfolio:

We are where our customers are. At the end of the reporting period, out of 62 operating companies in total, 38 were active in the region Europe, Middle East, Africa (EMEA), seven on the American continent and 17 in the region Asia-Pacific. This broad geographical structure allows FUCHS to serve globally active customers worldwide and to offer local customers tailor-made solutions on site.

With its more than 10,000 products, FUCHS not only ensures that the increasing specialization requirements of mature markets are met, but is also able to participate in the growth of developing markets.

The diversification across regions and industries helps to balance economic and sector-specific cycles.

Group structure



Simple Group structure with largely decentralized management

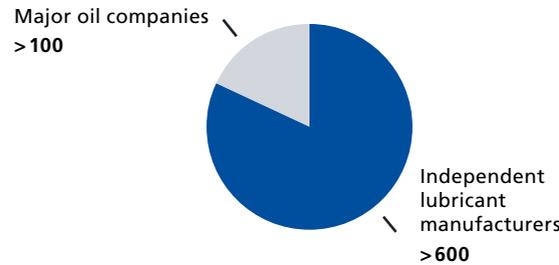
The Group structure has been kept intentionally simple. We generally hold 100% of shares in all our subsidiaries directly. Exceptions to this are the associates in Africa, in the Middle East and in Saudi Arabia and a joint venture in Turkey.

The companies are organized into the three geographical regions of EMEA, Asia-Pacific as well as North and South America, which is reflected in the management and reporting system. Business is generally managed by the local subsidiaries. Local managers are, however, increasingly included in our global networks of experts. Experience and knowledge are exchanged within these networks. Common solutions for current challenges and issues are developed across national and company borders.

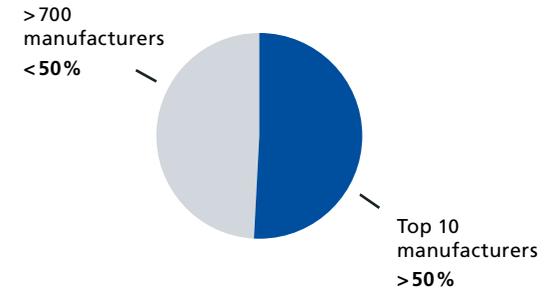
FUCHS operates as the only full line supplier in a very fragmented market, which is characterized by a heterogeneous structure. The advantages of FUCHS as an independent lubricant manufacturer lie in its focus on lubricants and related specialties, which give us reliability, customer and market proximity as well as continuity. Our success is based on our global presence, our strength in research and development, knowledge transfer and the speed with which we can react rapidly to changes.

Competitive environment

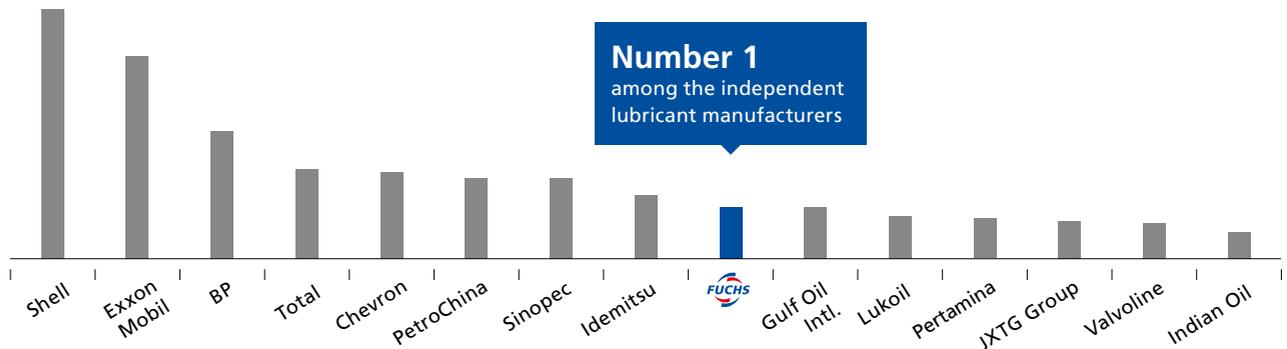
Overview of lubricant manufacturers



Breakdown of market share



Ranking top 15 lubricant manufacturers



Group strategy

Increase of company value

FUCHS PETROLUB SE pursues the objective of continually increasing the company value. We create value for our customers, employees and shareholders. Securing and strengthening our market position in mature markets and sustainably expanding our market position in emerging markets form the basis for this. The conditions for achieving these goals are created through organic growth and – insofar as prudent and possible – external growth, as well as through activities to secure the technological leadership of the FUCHS Group.

In fall 2018, FUCHS started the future initiative FUCHS2025. With widespread employee participation, we are working together at developing our strategy in addition to our corporate culture and structure. The focus is currently concentrated on the definition of strategic initiatives to achieve our objectives.

Maintaining the independence of FUCHS PETROLUB SE remains a factor of particular strategic importance. Our independence enables us to focus on lubricants and related specialties in an efficient environment, while providing scope to further increase company value. It is based, firstly, on the Fuchs family as an anchor shareholder and, secondly, on stable financial support, which allows a sustainable dividend policy and also creates scope for acquisitions.

Controlling system

Four key performance indicators

The Executive Board manages FUCHS on the basis of various financial performance indicators. The most important of these key performance indicators (KPIs) – the FUCHS Value Added (FVA) – is determined at the level of the individual companies and the Group as a whole. The FVA is an expression of the strategic objectives and links profit to capital employed. In addition, other key performance indicators are regularly reported to the Executive Board and the Supervisory Board. These key performance indicators are also incorporated in the external financial reporting system of FUCHS and are used for general communication with all stakeholders. The following section describes the four most significant performance indicators in more detail. These are unchanged compared to the previous year.

Growth

FUCHS targets profitable growth. We use organic growth as the key metric for managing sales revenues growth. Organic growth is growth in sales revenues adjusted for currency translation and portfolio effects. Portfolio changes are described as external growth. We use organic growth as a key performance indicator both for the entire Group and at segment level.

Profitability

Earnings before interest and tax (EBIT) is our central benchmark for managing profitability at Group level. We use EBIT to assess the profitability of the entire Group and the individual segments. This is a KPI commonly used to measure the operating performance of companies that is not affected by financing or tax effects. EBIT is a component in the calculation of the FVA, the target factor for the variable compensation of the management and the Executive Board.

Liquidity

FUCHS uses free cash flow before acquisitions as the key liquidity indicator for the entire Group. Free cash flow before acquisitions is defined as cash flow from operating activities, net of investments in intangible assets and property, plant and equipment. It indicates the scope of available financial resources, particularly for acquisitions, for dividend payments, for increasing cash and cash equivalents and for the settlement of debts. Free cash flow before acquisitions as an important key liquidity indicator provides the basis for a large number of management decisions.

FUCHS Value Added as central key performance indicator

FVA, which also takes account of capital employed besides earnings, is the central KPI for the Group. EBIT is the relevant profit indicator. Capital employed is reflected in the net assets and financial position. Value is only added when the recorded earnings are higher than the costs of the capital employed.

Capital employed is largely influenced by investments in property, plant and equipment, investments in intangible assets, as well as by the development of net operating working capital (NOWC). Property, plant and equipment is controlled on the basis of investment appraisals, while NOWC is monitored through targeted control of its components (inventories as well as accounts receivables and trade payables).

The average capital employed for a financial year is determined on the basis of the Group's interest-bearing financial resources and is calculated as an average of the parameters of the portfolio at five quarterly figures, starting from December 31 of the previous year:

Shareholders' equity
 + Net pension provisions
 + Financial liabilities
 – Cash and cash equivalents
 + Scheduled goodwill amortization from previous years (until 2004: €85 million)
 = Capital employed

To calculate the costs of capital employed, the weighted average cost of capital (WACC), which is determined on the basis of the capital asset pricing model (CAPM), is used.

The level of WACC is reviewed annually on the basis of up-to-date capital market data as of the end of the reporting period.

The summarized performance indicator FVA therefore shows the successes in earnings management and in controlling the use of capital:

FVA = EBIT – capital employed × weighted average cost of capital (WACC)

Variable compensation for local, regional and global management is based on FVA. Entitlements to variable compensation are only granted when positive added value has been generated in the respective financial year.

Budget monitoring as part of the control system

The instruments for operational management of the companies include a detailed system that monitors any deviation between target and actual figures in the budget. In the course of the annual budgeting process, goals are defined for companies and regions in terms of growth and EBIT on the basis of gross margins and development of other personnel and operating costs. A monthly target/actual comparison ensures that compliance with the budget is continuously monitored. When targets are not reached, the causes are immediately investigated and countermeasures introduced.

Research and development

Continual expansion of activities

As in previous years, the research and development (R&D) work of FUCHS PETROLUB SE was at a high level, with approximately 600 projects in 2019. With 521 (523) employees and expenses of €55 million (52), the Group continues to gain ground, to expand its technological leadership in defined segments and boost its innovative capacity.

In organizational terms, the Group is increasingly focusing on a three-hub concept in Europe, Asia-Pacific as well as North and South America in the area of R&D and therefore on further expanding the matrix structure, which supports global operations through network effects.

Sustainability and environmental awareness play a significant role in our developments, as shown by the newly developed engine oil PLANTO MOT SAE 10W-40, which is the only biodegradable engine oil that has been approved by DEUTZ. This engine oil is biodegradable according to OECD 301B and contains more than 25% of the raw materials from renewable sources.

We support our customers from the automotive sector in expanding their electric activities. We have, for example, developed a high-performance transmission oil for electric end drives, which is used in the world's first sports car with 800 volt architecture.

The experiences gained from such high-performance applications has provided decisive insights, which can be brought into solutions for large-scale applications in e-platforms.

Friction-optimized transmission oils for heavy-duty vehicles (trucks) are a key starting point for reducing CO₂ emissions in the transport sector. Extensive tests are required to ensure that the low viscosity oils guarantee the expected transmission lifespan. The flexible drivetrain test bench commissioned by FUCHS SCHMIERSTOFFE GMBH in 2018 was subsequently used for the first time for oil testing with truck-series transmissions manufactured by an European OEM. A 1,000 hours customer-specific test program allows detailed insights into the wear behavior of the transmission in various gears and under full load.

We are also intensifying our activities to develop concepts for improving our raw material basis with regard to our

CO₂ footprint. For example, among other activities, we participate in projects in which raw materials do not come from fossil sources but from alternative resources, or raw materials are generated from recycled materials in the sense of a circular economy.

Lubricating greases also remain a focus of attention, which is why we are expanding our activities in PU greases and in the development of modern lubricating grease concepts, such as for electrical control with improved stick-slip behavior.

In a modern environment, tools and development methods must also be adapted. We therefore make increasing use of simulations, calculation models as well as design-of-experiments (DOE) methods as integral components of our development projects and, by doing so, continuously increase the efficiency of our research and development activities.

Through chemoinformatics, we were able to demonstrate that the lubricating effect of greases is heavily dependent on their rheological characteristics. Using multi-variant regression, we were able to predict the characteristics of the system (the greases) depending on the raw materials used.

Employees

In 2019, the number of employees worldwide increased, due to acquisitions in particular, and is now around 5,600. The total workforce has increased by 60% in the last ten years. This growth enables us to develop specific skills and experience required for current and future challenges in the organization. To make these skills available as quickly as possible, rapid integration into the FUCHS culture is required. We are supported in this by the five values of our mission statement – trust, creating value, respect, reliability and integrity – as well as our leadership principles.

Cooperation in a globalized environment

For the purposes of our “ACT GLOBAL” objective within the framework of FUCHS2025, there was yet more cross-border interaction between employees both in specialist networks and by means of collaborative tools in 2019. The use of these tools facilitates the inclusion of the most varied viewpoints and expertise from colleagues in all countries. This type of cooperation generates output and ideas quickly and effectively, which have an immediate impact on our projects and our global goals. Managers – while respecting our leadership principles and the FUCHS mission statement – increasingly take on the role of interface managers between specialist departments and business units. This is becoming more important, since the expansion of our matrix structures means we are focusing more

on reaching different employee target groups and ensuring different information requirements are met. Besides the target-oriented development of communication structures across borders, the focus is on making communication free from hierarchies and open. It is the role of managers at all levels to convey our strategic focus, objectives, need for change and to make staff more aware of their own contribution to the company's overall success.

Digitalization in the working world

Constantly evolving digitalization offers a variety of opportunities to promote agile work in a globalized business. The design of digitalized operating processes and workflows in integrated system landscapes to make task processing more efficient and, as a result, to create more time for key interdisciplinary collaboration and for promising projects and initiatives, is also important here.

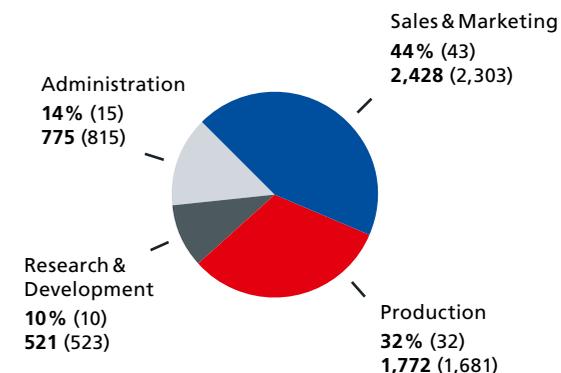
The digitalization of HR processes was almost finalized in 2019 and, in addition to the harmonization and maintenance of key organizational and employee master data, also comprises the e-learning platform in particular.

Increased headcount

The FUCHS Group had 5,627 employees as of December 31, 2019, 131 of whom were graduate trainees. The total workforce therefore increased by 181 or 3% year-on-year, due to acquisitions, in particular.

Functional workforce structure *

Figures for 2019 (2018)



*Excluding 131 (124) trainees.

The number of employees in the region EMEA rose by 89 (+2%), while the region Asia-Pacific added 37 (+4%) new employees. In North and South America, the number of employees grew by 55 (+8%) as against December 31, 2018.

Geographical workforce structure

	Dec 31, 2019	in %	Dec 31, 2018	in %
EMEA	3,820	68	3,740	69
Asia-Pacific	932	17	895	16
North and South America	745	13	690	13
Holdings	130	2	121	2
Total	5,627	100	5,446	100
thereof Germany	1,670	30	1,634	30

Further strengthening the employer brand

In 2019, the employer branding concept was further developed. A target group analysis of the needs of particularly sought after specialists was carried out from which ideas are derived as to how we can attract the attention both of young specialists and experienced employees to FUCHS more effectively and attract them to work for us. This topic was combined with the desire to emphasize the global career opportunities in a medium-sized company.

Our information events offering career orientation and internships are well received by high school students. They allow students to get a better picture of the training we offer and of the company's processes on site.

The collaboration with colleges and universities was further strengthened to raise awareness of FUCHS as an attractive employer among students, graduates and junior scientists starting out in their careers. We particularly focus on establishing contact with and fostering students who have made exceptional academic achievements. For example, foreign assignments at our global sites are also offered here, which allow those benefiting from these opportunities as well as the colleagues in the respective countries to broaden their perspective. Furthermore, we

regularly offer internships, provide support for those writing their bachelor's or master's thesis, and encourage selected students with scholarships.

Attracting qualified specialists is still a particular challenge on all labor markets, and especially in Europe, India, China and the US. The internal training of our employees responsible for the recruitment process and the improved direct cooperation between local and regional HR managers have helped to strengthen our position significantly. Newer ways of addressing talents in the recruitment market, such as social media recruitment or active sourcing, are being gradually expanded. Through our regional HR managers these modern recruitment channels and suitable selection instruments can also be made available to small sites that do not have their own HR department. Our goal is unchanged: to find the best talents in the respective areas of expertise and to motivate them for FUCHS. Filling positions with employees from within the company also plays a major role for us. Accordingly, in the course of the Group expansion of the global divisions, particular attention was paid to promoting employees from within the company to the new attractive positions with a global focus in 2019.

Training

As of December 31, 2019, 89 (82) young people at our German subsidiaries took part in dual training programs. 20 trainees and students on dual training completed their training in the reporting year.

We provide training in different commercial and technical professions. We also offer goal-oriented and qualified high school graduates the opportunity to attend a dual study program in cooperation with the Baden-Württemberg Cooperative State University (DHBW) which ends with a bachelor's degree.

Dual study programs are a key building block for junior staff development at FUCHS. In addition to the various training courses and DHBW courses, we also offer study-related internships at our subsidiaries abroad. Last year, internships etc. were arranged at our subsidiaries in the US and Japan. Many of our current top performers are former FUCHS students, trainees and interns. Meanwhile, many management positions throughout the Group have been filled by former students, which makes us particularly proud. Encouraging these potential future FUCHS employees will continue to be an important investment in our future.

2.2 Macroeconomic and sector-specific conditions

Development in 2019 and forecast for 2020*

Global economy grows more slowly in 2019

Development of gross domestic product

in %	Forecast 2019	Actual 2019	Forecast 2020
Germany	1.3	0.5	1.1
Eurozone	1.6	1.2	1.3
USA	2.5	2.3	2.0
China	6.2	6.1	6.0
Highly developed countries	2.0	1.7	1.6
Developing and emerging countries	4.5	3.7	4.4
World	3.5	2.9	3.3

Source: International Monetary Fund (IMF)

- In 2019, the global economy grew by 2.9% (3.6) year-on-year; a slight upturn to 3.3% is expected in 2020.
- The US trade dispute with China has had a significantly negative impact on the global economy; industry slid into recession in many highly-developed countries.
- However, the economy was supported by the reversion to an expansionary monetary policy by the Fed and other central banks as well as by strong domestic demand in the US and Europe.

*Forecast data for 2019 as of February 2019, other data as of February 7, 2020; the forecasts do not factor in any impact of the corona virus.

- In the euro area, especially Germany, the economy developed less strongly than expected, due especially to falling industrial production, lower investment and muted demand for exports.
- Growth in China's GDP slowed further in the wake of the trade conflict. The government subsequently supported the domestic economy and industrial production therefore remained relatively robust.
- GDP growth in the US weakened despite the Fed's turnaround in interest rates and strong consumer demand because exports and industrial production came under pressure.

Steel industry outside China weak in 2019, but slight recovery possible in 2020

Development of crude steel production

in %	Forecast 2019	Actual 2019	Forecast 2020
Germany	1.7	-6.5	1.5
EU	1.7	-4.9	1.1
Asia	1.3	5.7	1.8
North America	1.0	-0.8	0.8
World	1.4	3.4	1.7

Source: World Steel Association

Demand from key processing customer industries fell sharply in some cases in 2019. Steel production was therefore cut back in many regions, massively so in the EU, and therefore

worse than forecast. However, contrary to the negative trend, steel production in China was increased substantially by 8.3%. As a result, China's share of the global market increased to a good 53%. In total, global steel production therefore increased by more than had been forecast according to the World Steel Association (WSA).

Given a slight upturn in the global economy, there will be a moderate increase in demand for steel in 2020 according to the forecast from the WSA. Although companies' propensity to invest is still low in many industrialized countries, low interest rates mean that building construction will remain buoyant. Accelerated infrastructure development in emerging markets is also stimulating demand for steel. According to the WSA, all regions are likely to post moderate growth rates in 2020. However, any extension in trade conflicts would have an adverse impact on growth.

Engineering stagnating globally, even contracting without China

According to a prior assessment by the German Engineering Industry Association (VDMA), the sector performed far less well than forecast because of trade disputes and the cyclical downturn affecting industry. Global machine sales revenues stagnated entirely in 2019; without China the engineering sector is in recession according to the VDMA. Machine sales revenues decreased in both the US and the euro area. The slump was even more severe in the heavily export-oriented German market. In this environment, mechanical engineering companies in Germany had to cut production by 2% in real terms compared with their original planning.

2.2 Macroeconomic and sector-specific conditions

The Association does not expect the situation to improve in 2020. The poor order situation is therefore likely to pick up under favorable conditions only over the course of the year, as the impact on production and sales revenues is subject to a time lag. The VDMA is therefore expecting global machine sales revenues to stagnate in 2020 as well, with the trends in China and the euro area expected to weaken even further. For Germany, the VDMA is forecasting a further fall in sales revenues and production of 2% for 2020.

Development of engineering sales revenues

in %	Forecast 2019	Actual 2019	Forecast 2020
Germany	2.0	-2.0	-2.0
Eurozone	2.0	-1.0	-2.0
China	3.0	4.0	2.0
USA	2.0	-1.0	-1.0
World	2.0	0.0	0.0

Source: VDMA

Upheaval in the automotive industry, still no signs of a turnaround

Accelerated far-reaching technological change, trade disputes and uncertainty about future limits and driving bans are causing a crisis in the automotive sector. Instead of growing slightly, according to the Verband der Automobilindustrie (VDA) global car sales contracted perceptibly to 80 million vehicles in 2019. China, in particular, suffered a massive slump, as incentives for electric cars also expired in addition to the trade dispute. The US market also de-

clined. In contrast, sales in Europe picked up modestly and strongly in Germany. The German automotive industry again cut domestic production by 9%, but kept production stable at their foreign sites.

A turnaround is not expected in 2020. The VDA expects a further contraction in global car sales, with falls in all major regions. The negative factors will persist. In Europe, the incalculable consequences of Brexit and more stringent climate protection rules in cities are also causing uncertainty. According to the VDA, German manufacturers kept their production at an unchanged level overall of around 16 million cars in 2020. However, the global sector scenario would deteriorate dramatically if the US actually levied punitive tariffs on cars from Europe.

Development of car sales

in %	Forecast 2019	Actual 2019	Forecast 2020
Germany	-1.0	5.0	-4.0
Europe	0.0	1.2	-2.0
China	2.0	-9.5	-2.0
USA	0.0	-1.4	-3.0
World	1.0	-5.0	-1.0

Sources: VDA, European Automobile Manufacturers Association (ACEA)

Strong upturn in the chemicals industry has ended, moderate course probable in 2020 too

With a rise of 3.0%, global chemicals production in 2019 grew comparatively moderately and more slowly than expected and was regionally heterogeneous. While the chemicals sector in the EU performed in line with global trends, the sector stagnated in the US. In contrast, the chemicals industry in China remained buoyant, slightly outperforming expectations. In other Asian countries, growth flattened significantly (India) and even turned negative in some areas (Japan, South Korea). With a fall of 7.5%, the slump in chemicals production in Germany was dramatic in 2019.

For 2020, the prospects for the global chemical industry are slightly positive, with growth of 3.0%. In all key markets, subdued growth in the production of chemicals is becoming evident, in line with the global economy. The sector association, the VCI, expects a slower rate of expansion for the EU and China than previously. The US chemicals industry will post moderate growth. For the sector in Germany, the VCI is assuming a very anemic production increase of 0.5%.

Development of chemical production

in %	Forecast 2019	Actual 2019	Forecast 2020
Germany	1.5	-7.5	0.5
EU	2.0	3.0	1.5
China	5.0	5.5	4.5
USA	2.5	0.5	1.5
World	3.6	3.0	3.0

Sources: VCI, Cefic

Slight growth in global demand for lubricants

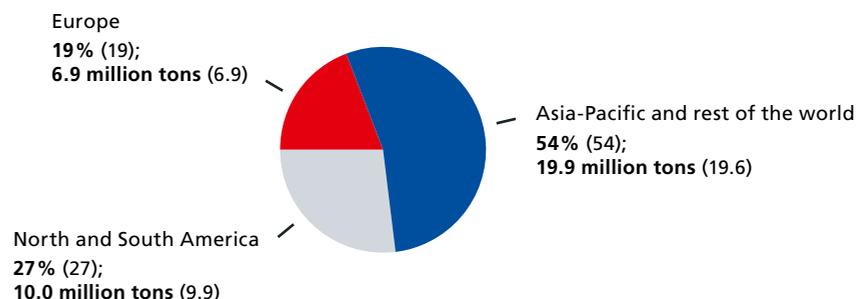
In 2019, global demand for lubricants again rose slightly. In Asia-Pacific, demand increased by 1.2%. The markets in India (+2.0%), Japan (+1.7%) and China (+1.0%) were largely responsible for this. The European lubricants market firmed up only modestly by 0.5%. Growth was supported mainly by Russia (+1.8%). While North America posted a renewed fall in sales, the upturn in Brazil (+3.0%) boosted the South American market with growth of 2.1%.

Development of lubricant demand

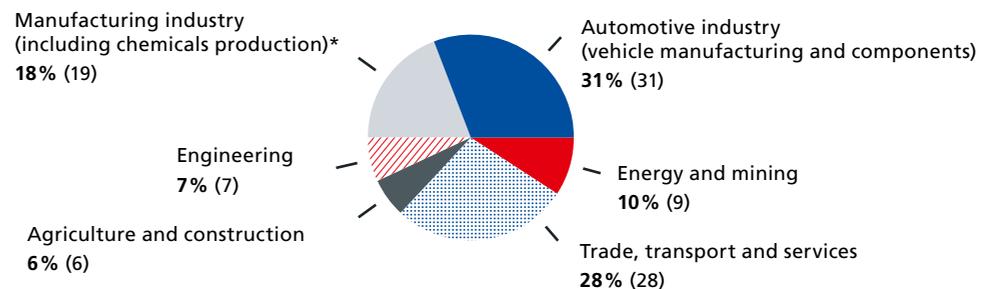
in %	Forecast 2019	Actual 2019	Forecast 2020
Europe	0.0	0.5	0.0
Asia-Pacific	1.0	1.2	1.0
North America	-1.0	-1.0	-1.0
World	0.5	0.8	0.5

Source: Own market analyses

Regional breakdown of global lubricant market demand



Breakdown of Group sales revenues by customer sector



*Manufacturing industry = producer goods, capital goods, consumer goods.

2.3 Business development in 2019 – forecast comparison

In the reporting year 2019, the FUCHS Group was not able to achieve the targets originally set for sales revenues, EBIT and FVA. The forecast for free cash flow was exceeded.

The most important key performance indicators are detailed below:

- Sales revenues rose by €5 million (+0%) to €2,572 million.
- EBIT fell by €62 million (–16%) to €321 million.
- FVA decreased from €251 million to €174 million.
- Free cash flow before acquisitions was €175 million (147).

Forecasts given at the beginning of the year were regularly reviewed over the course of the year and adjusted or specified.

→ [# Comparison actual – forecasted business development](#)

With sales revenues at the level of the previous year, the Group lagged the original forecasts significantly in 2019. In a difficult economic environment, none of the three global regions were able to achieve the anticipated organic growth. The crisis affecting the automotive sector led to significant volume losses in the regions Europe, Middle East, Africa (EMEA), Asia-Pacific and America.

FUCHS countered the lack of sales revenue growth by controlling costs. Measures to cut costs were implemented – but with a sense of proportion and without jeopardizing future projects. As a result in 2019, the Group's function costs did not increase compared to the previous year to the extent originally planned.

As planned, investments, primarily in property, plant and equipment, increased in 2019 to a record level, but with €154 million did not achieve the originally planned level of around €180 million. In addition to this, significantly more funds were released from net operating working capital (NOWC) – by reducing inventories, in particular. Accordingly, free cash flow before acquisitions, at €175 million, significantly exceeded expectations.

FVA was €174 million with unchanged capital costs of 10%. The increasing decline in EBIT over the course of the year meant that the original forecast was not achieved. However, the specified expectation from the half-year was exceeded.

Comparison actual – forecasted business development

Performance indicator	Forecast 2019	Actual 2019	Evaluation
Sales revenues	+2% to +4%	0%	Forecast met
	As of July 31, 2019: –3% to +0%		
EBIT	–8% to –5%	–16%	Exceeded
	As of July 31, 2019: –30% to –20%		
FVA	Around €200 million	€174 million	Exceeded
	As of July 31, 2019: between €130 million and €160 million		
Free cash flow before acquisitions	Around €100 million	€175 million	Exceeded
	As of July 31, 2019: between €70 million and €90 million		

2.4 Group performance and results

Sales revenues (performance)

Regional development of sales revenues by company location

in € million	2019	2018	Organic growth	External growth	Currency translation effects	Total change absolute	Total change in %
EMEA	1,579	1,618	-36	0	-3	-39	-2
Asia-Pacific	718	706	-9	17	4	12	2
North and South America	418	409	-3	1	11	9	2
Sales revenues before consolidation	2,715	2,733	-48	18	12	-18	-1
Consolidation	-143	-166	22	0	1	23	-
Total	2,572	2,567	-26	18	13	5	0

FUCHS is holding its ground in a difficult environment with sales revenues at the level of the previous year

In a difficult economic environment, FUCHS achieved sales revenues of €2,572 million (2,567), at the level of the previous year. The organic decrease of €-26 million or -1% was offset by external growth of €18 million (+1%) in addition to slightly positive currency effects of €13 million (+0%).

Growth factors

	in € million	in %
Organic growth	-26	-1
External growth	18	1
Effects of currency translation	13	0
Growth in sales revenues	5	0

All regions with organic sales declines

The weakened global economic climate and, in particular, the crisis affecting automotive markets in Asia and Europe led to volume-related organic sales declines in all three Group/global regions. Overall, the Group recorded negative organic growth of -1%, which was compensated for by external growth and currency effects.

At -2%, negative organic growth was particularly strong in the region EMEA (Europe, Middle East, Africa) and - in contrast to the other two regions Asia-Pacific and North and South America - could not be offset by either currency effects or external growth. The region EMEA's share of unconsolidated total sales revenues therefore decreased slightly from 59% to 58%, while Asia-Pacific's share increased from 26% to 27%, North and South America remained constant.

During the year, business in the three regions developed differently, in some cases in opposite directions.

In Asia-Pacific, the weak end to 2018 continued with a weak first half in 2019, which was characterized by a sharp fall in organic sales revenues. In the third quarter, the organic decline slowed. From April 1, 2019, external growth was also achieved as a result of an acquisition in Australia. A strong year-end spurt with substantial organic growth and continued external growth led to a 2% increase in sales revenues for the region in the full year.

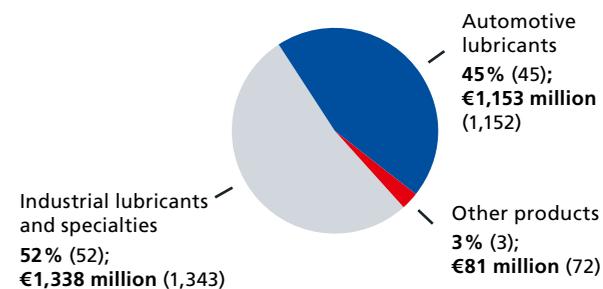
Group sales revenues by customer location

in € million	2019	Share in %	2018	Share in %	Change absolute	Change in %
EMEA	1,371	53	1,379	54	-8	-1
Asia-Pacific	765	30	760	29	5	1
North and South America	436	17	428	17	8	2
Total	2,572	100	2,567	100	5	0

The region EMEA also made a weak start to the year. Due to the automotive crisis, the region not only recorded a decline in its deliveries to European third-party customers but also a decline in the Group's deliveries to China. Organic sales declines continued at a slower pace in the second half of the year. For the full year, the picture was negative with a decrease in sales revenues of 2%.

North and South America's sales revenues bucked the trend in the other two regions: thanks to substantial organic growth and positive currency effects, the region's sales revenues rose by 12% in the first quarter. The good start to the year was followed by two quarters of organic decreases, which were, however, offset by positive currency effects. The fourth quarter was the weakest for North and South America: it was impossible to offset sharp organic declines. Nevertheless, sales revenues for the full year were 2% above the previous year.

Breakdown of Group sales revenues by product groups



Results of operations

Group results of operations

in € million	2019	in %	2018	in %	Change
Sales revenues	2,572	100.0	2,567	100.0	5
Cost of sales	-1,682	-65.4	-1,668	-65.0	-14
Gross profit	890	34.6	899	35.0	-9
Other function costs	-580	-22.5	-542	-21.1	-38
EBIT before income from companies consolidated at equity	310	12.1	357	13.9	-47
Income from companies consolidated at equity	11	0.4	26	1.0	-15
EBIT	321	12.5	383	14.9	-62
Financial result	-4	-0.2	-2	-0.1	-2
Income taxes	-89	-3.4	-93	-3.6	4
Earnings after tax	228	8.9	288	11.2	-60

In 2019, the FUCHS Group generated EBIT of €321 million (383), which was €62 million down on the previous year. Earnings after tax fell from €288 million to €228 million.

A minimal improvement in sales revenues of €5 million was offset by increased production costs, which resulted in a slight decline in gross profit of €9 million or 1%. The gross margin decline from 35.0% to 34.6%, while material costs remain largely constant, as a result of these increased production costs.

Other function costs increased by 7% or €38 million to €580 million (542). Its share of sales revenues deteriorated from 21.1% to 22.5%.

The increase in both production and other function costs was caused, in addition to inflation-related wage and salary adjustments, by higher depreciation and amortization resulting from new plants and facilities as well as higher employee numbers with which the Group is laying the foundation for future growth and higher future earnings. Given the trend in sales revenues, cost management was tightened in the course of the year and the planned increases in staff numbers did not take place, meaning that cost increases were lower than originally planned. Earnings were also negatively affected by a goodwill impairment of €6 million.

At €310 million EBIT before income from companies consolidated at equity (EBIT before at equity) defined as the balance of gross profit and other function costs was €47 million or 13% down on the previous year. The margin of EBIT before at equity relative to sales revenues fell to 12.1% (13.9).

The previous year's income from companies consolidated at equity (at equity income) included an one-off income of €12 million from the sale of the 50% share in a Swiss sales joint venture. Even after eliminating this one-off income, at equity income fell by €3 million. This was largely due to the elimination of the investment income from the share of the joint venture that was sold. In addition, the weakness in the Turkish currency resulted in falling income from our participation company there.

EBIT therefore fell by €62 million or 16% (by €50 million or 13% before one-off income) to €321 million. Earnings after tax declined by €60 million to €228 million.

The stronger decrease in earnings after tax is due to a higher tax rate (income taxes relative to earnings before tax not including income from companies consolidated at equity). The increase to 29.1% (26.2) is mainly due to higher withholding taxes on dividends.

Based on earnings after tax of €228 million (288), the net profit margin amounts to 8.9% (11.2). Earnings per ordinary and preference share decreased by €0.43 or just below 21% to €1.63 (2.06) and €1.64 (2.07).

2.5 Sales revenues, results of operations, and investments in the regions

As of January 1, there was a change of regional responsibility at Executive Board level. This related to a change of the segments: until December 31, 2018, companies in the Middle East and Africa were reported in the Asia-Pacific region. Since 2019, they have been reported in the Europe, Middle East, Africa (EMEA) segment. The previous year's figures are presented below in line with the current internal organizational and reporting structure of the Group for better comprehensibility and transparency.

Europe, Middle East, Africa (EMEA)

Automotive crisis triggers 2% fall in sales revenues

The weakened global economic climate and, in particular, the crisis affecting automotive markets in Asia and Europe resulted in an organic sales decline of 2% for the EMEA region. Sales revenues decreased from €1,618 million in the previous year to €1,579 million in the reporting year. The volume-related decreases were stronger especially in Germany, which not only recorded a decline in its deliveries to European third-party customers but also a drop in the Group's deliveries to China. Of the companies with a positive organic development in sales revenues, the UK and Poland are particularly noteworthy. Higher growth was also achieved in Hungary, Romania and South Africa, with organic growth in South Africa being overcompensated by negative currency effects.

Further negative currency effects from translating sales revenues into the Group currency, the euro, resulted from the weakness of the Swedish krona and the Polish zloty in addition to the weakness in the South African rand.

Segment information EMEA^{1,2}

in € million	2019	2018
Sales revenues by company location	1,579	1,618
Organic growth	-36 (-2%)	55 (3%)
External growth	-	-7 (-0%)
Currency translation effects	-3 (-0%)	-16 (-1%)
EBIT before at equity	156	185
At equity income	11	26
Segment earnings (EBIT)	167	211
Capital expenditures	97	65
Acquisitions ³	0	1
Employees as of December 31	3,820	3,740

¹ For further information, refer to the financial report: "Segments".

² 2018 comparable.

³ Relating to property, plant and equipment and intangible assets.

In total, negative currency effects had an impact of €-3 million on sales revenues.

Lower sales revenues and growth program cause lower earnings: reduction in EBIT before at equity of €29 million (-16%)

The region's segment earnings (EBIT) fell sharply by €44 million or 21% from €211 million to €167 million. Even after the elimination of the one-off income of €12 million from the sale of the 50% share in a Swiss sales joint venture included in the previous year's earnings, the fall was significant, at €32 million or 16%. A decline of €29 million relates to EBIT before at equity: besides decreases in sales revenues and inflation-based adjustments to wages and salaries, this was due to higher costs resulting from our investment and

growth program. With tighter control of costs, staff costs and depreciation and amortization increased in particular. The region's earnings were also negatively affected by a goodwill impairment in Sweden of €6 million.

The margin of EBIT before at equity relative to sales revenues fell from 11.4% in the previous year to 9.9%.

The previous year's at equity income included an one-off income of €12 million from the sale of the 50% share in a Swiss sales joint venture. On a comparable basis, at equity income was €3 million down on the previous year. It was negatively affected by the elimination of the earnings contribution from the Swiss sales joint venture and the weakness of the Turkish currency.

Record investment of €97 million

Following €65 million in the previous year, the region EMEA once again significantly expanded its investments in 2019, increasing the figure to €97 million. Approximately 45% of these investments were accounted for by the two German locations Mannheim and Kaiserslautern. Focus was on the new construction of the specialty grease plant in Kaiserslautern and the expansion of the tank depot in Mannheim.

The largest single investment in the region was in Sweden where the construction of a new plant is well underway. Construction of a new raw material warehouse continued in the UK, additional space was purchased in Belgium, the plant expansion was continued in Russia and the extension of the grease plant started in Poland. In addition, various replacement investments were made at many locations.

Asia-Pacific

External growth and positive currency effects compensate for an organic sales decline

The growth region of recent years, Asia-Pacific, also posted volume-related organic sales decreases of €9 million due to the crisis in the Chinese automotive market, which radiated throughout Asia. Virtually all Asian companies were affected by this. In contrast, Japan and, in the Pacific area, the Australian company posted a significantly positive organic increase in sales revenues. The acquisition of a lubricants manufacturer for the automotive retail sector in Australia as of April 1, 2019, provided the region with external growth of €17 million. Positive effects when

Segment information Asia-Pacific^{1,2}

in € million	2019	2018
Sales revenues by company location	718	706
Organic growth	-9 (-1%)	75 (11%)
External growth	17 (2%)	-
Currency translation effects	4 (1%)	-26 (-4%)
EBIT before at equity	93	102
At equity income	0	0
Segment earnings (EBIT)	93	102
Capital expenditures	31	33
Acquisitions ³	8	0
Employees as of December 31	932	895

¹ For further information, refer to the financial report: "Segments".

² 2018 comparable.

³ Relating to property, plant and equipment and intangible assets.

translating into the Group's currency, the euro, were recorded in China, in particular.

Altogether, sales revenues in the region moved up by 2% from €706 million to €718 million.

Increased costs resulted in a 9% EBIT decrease

With higher sales revenues, the region posted a drop in EBIT of €9 million or 9% compared to previous year. Growth and modernization projects caused higher staff and IT costs, in particular, at a majority of the companies but depreciation and amortization also rose sharply. However, thanks to strict cost controls and cost-cutting measures in response to the difficult sales revenue situation, the increases were less than originally planned. In Australia,

lia, integration costs following the acquisition of NULON, an Australian manufacturer of lubricants for the automotive sector, also had a negative impact.

The margin of EBIT before at equity relative to sales revenues deteriorated from 14.4% to 13.0%.

Investment focused on China

Investments in property, plant and equipment in the region focused primarily on China, where the construction of a new plant in Wujiang was completed and the administration remaining in Shanghai and development laboratories were expanded. The production facilities in Korea were also extended and modernized.

North and South America

Positive currency effects offset organic sales decline

Following double-digit organic growth in the previous year, the region posted an organic sales decrease of 1 % or €3 million in 2019. Organic sales declines were mainly reported in North America in the second half of the year. Negative internal growth was offset by significant positive currency effects of €11 million: the strength of the dollar compensated for the organic declines as well as negative currency effects resulting from the price decline of the Argentinian peso, in particular. In addition to this, the region benefited from small external growth of €1 million. This was the result of the acquisition of a majority interest in a sales company in Chile, which took place in 2018, and the acquisition of a Canadian service provider offering services in the lubricants and chemical process management (CPM) sectors as of November 1, 2019.

In total, the region increased its sales revenues by 2 % or €9 million from €409 million to €418 million.

Segment information North and South America¹

in € million	2019	2018
Sales revenues by company location	418	409
Organic growth	-3 (-1 %)	53 (13 %)
External growth	1 (0 %)	0 (0 %)
Currency translation effects	11 (3 %)	-37 (-9 %)
EBIT before at equity	49	59
At equity income	0	0
Segment earnings (EBIT)	49	59
Capital expenditures	22	22
Acquisitions ²	3	1
Employees as of December 31	745	690

¹ For further information, refer to the financial report: "Segments".

² Relating to property, plant and equipment and intangible assets.

Higher costs and impairments on receivables from customers reduced EBIT by €10 million

Compared to the previous years EBIT in the region fell sharply by €10 million or 17 % from €59 million to €49 million. This was due to higher costs being posted by all companies. As a consequence of the growth and investment program, staff costs, in particular, and depreciation and amortization were up on the previous year. Strict control of costs ensured that the total costs increased less than originally planned. Earnings were also adversely affected by write-downs on receivables from a major North American customer.

The margin of EBIT before at equity relative to sales revenues fell from 14.4 % to 11.7 %.

Investments at previous year's level at €22 million

At around €22 million, investments in the reporting year matched the level of the previous year. Once again, investments were largely concentrated on the sites in the US. Extensive modernization and expansion investments continued there. At the Harvey site, the plant for large volume OEM products was completed, the modernization of the mixing plant continued and the company invested in additional office space. In Kansas, investment focused on production containers for grease.

2.6 Net assets and financial position

Balance sheet structure

Financial position

	December 31, 2019		December 31, 2018		Change in € million
	in € million	in %	in € million	in %	
Goodwill	175	9	174	9	1
Other intangible assets	94	4	105	6	-11
Property, plant and equipment	647	32	521	28	126
Other non-current assets	85	4	73	3	12
Non-current assets	1,001	49	873	46	128
Inventories	381	19	410	22	-29
Trade receivables	381	19	379	20	2
Cash and cash equivalents	219	11	195	10	24
Other current assets	41	2	34	2	7
Current assets	1,022	51	1,018	54	4
Total assets	2,023	100	1,891	100	132

Investment-driven increase in total assets

As of December 31, 2019, the Group's total assets exceeded the threshold of €2.0 billion for the first time and were therefore 7% up on the previous year's figure. This was attributable, in particular, to our ongoing growth and investment program, which resulted in a significant increase of 24% in property, plant and equipment. Cash and cash equivalents also increased considerably (+12%).

Equity ratio of 77% unchanged at a high level

Equity increased by €105 million (+7%) to €1,561 million. Despite the increase in total assets, the equity ratio remained constant at 77%, which is a high level.

Interest rate adjustment to determine pension provisions and IFRS 16 cause an increase in non-current liabilities

There was equity of €1,561 million and liabilities of €462 million as of December 31, 2019. Thereof, €89 million (5% of total assets) and consequently €23 million (+35%) more than in the previous year was attributable to non-current liabilities. At the same time, pension provisions, which, having been financed out in previous years, largely relate to our companies in Germany and the UK, increased sharply from €25 million to €36 million. This increase was due to the remeasurement of provisions as a consequence of falling interest rates.

Deferred tax liabilities – largely acquisition-related – declined slightly, coming to €32 million (34).

The increase in other non-current liabilities of €14 million to €21 million was due to the transition to IFRS 16 and the reporting of lease liabilities where FUCHS is the lessee.

Of the lease liabilities reported for the first time totaling €22 million, €14 million was attributable to the non-current financial liabilities recognized under other non-current liabilities and a further €8 million to current financial liabilities.

Current liabilities increased slightly by €4 million or 1% to €373 million (369). Therefore the proportion to total assets decreased from 20% to 18%.

The increase in current financial liabilities of €8 million to €12 million was entirely due to the first-time reporting of lease liabilities resulting from the introduction of IFRS 16.

Trade payables, with which the Group financed around 11% of its assets at the end of the reporting period, rose slightly by 3% to €219 million (213).

→ [# 40 Capital structure](#)

Capital structure

	December 31, 2019		December 31, 2018		Change in € million
	in € million	in %	in € million	in %	
Total equity	1,561	77	1,456	77	105
Pension provisions	36	2	25	1	11
Deferred taxes	32	2	34	2	-2
Non-current financial liabilities	14	1	0	0	14
Other non-current liabilities	7	0	7	0	0
Non-current liabilities	89	5	66	3	23
Trade payables	219	11	213	12	6
Provisions	24	1	24	1	0
Financial liabilities	12	0	4	0	8
Other current liabilities	118	6	128	7	-10
Current liabilities	373	18	369	20	4
Total equity and liabilities	2,023	100	1,891	100	132

Use of capital employed*

in € million	2019	2018	Change absolute	Change in %
Property, plant and equipment*	587	491	96	20
Intangible assets*	276	282	-6	-2
Net operating working capital (NOWC)*	584	563	21	4
	1,447	1,336	111	8
Other items*	23	-19	42	-
Capital employed*	1,470	1,317	153	12

*Average figures, each based on five quarterly values.

In addition to the reported liabilities, there were contractual investment obligations of €64 million (76) at the reporting date. €35 million, and thus more than half, was attributable to German companies. They are associated with the planned construction of a new office building for the holding company, a PU specialty grease plant in Kaiserslautern and various individual projects at the Mannheim site. The largest individual obligation outside Germany is in Sweden for the construction of the new plant there. This investment is to be financed from the Group's own resources.

Net liquidity still at a high level

As a result of reporting leases for the first time, current and non-current financial liabilities increased by a total of €22 million to €26 million. At the same time, liquid funds available increased so that net liquidity as the difference between cash and cash equivalents on the one hand and financial liabilities on the other hand rose by €2 million to €193 million (191).

Reduction in NOWC

Compared with the end of 2018, NOWC (calculated as the balance of inventories plus trade receivables minus trade payables) fell by €33 million to €543 million (576). In particular, the reduction in inventories of €29 million (-7%) also allowed a reduction in NOWC in relation to the annualized sales revenues of the fourth quarter from 23.4% to 21.8% in addition to the absolute reduction in NOWC. This represents an improvement in the average capital tie-up period of 5 days to 80 days (85).

On average over five quarters, the FUCHS Group employed 41% of its capital for property, plant and equipment, 19% for intangible assets and 40% to finance its net operating working capital. These three figures therefore have a material influence on the FVA via the costs of capital employed. As a result of the significant investments in property, plant and equipment the average capital employed rose by 12%.

Capital expenditures and acquisitions

Capital expenditure

Investment initiative continued

In 2019, FUCHS continued its investment initiative started in 2016 for the fourth year. After €93 million in 2016, €105 million in 2017 and €121 million in 2018, annual investments in property, plant, equipment and intangible assets reached a new peak, at €154 million, in 2019. Investment will be reduced in stages over the next few years.

FUCHS invested in the modernization and expansion of its assets in all three global regions. However, EMEA was the focus of expansion and modernization measures in 2019, accounting for €97 million and therefore over 60% of all investment.

In Sweden alone, around €29 million were invested in the construction of a new lubricants plant, which started in 2018.

Kaiserslautern opened a new high-reck warehouse, two new production halls and new office space in March 2019. In the reporting year, however, investment focused on the continuing work on a new PU specialty grease plant, with which Kaiserslautern will further expand its position as a location for specialty lubricants. At the site in Mannheim, work continued on optimizing internal processes in various ways and the tank storage was modernized and extended. The UK continued the construction of its new raw material warehouse, which is expected to be completed in 2020. In Russia, construction work started on expanding the plant at the site in Kaluga. Completion is planned for 2020 and by doubling production capacity, the foundation for further growth will have been laid here. In Belgium, the basis for expansions was created by the purchase of an adjacent property and work on expanding the grease plant started in Poland.

Investments of €31 million were carried out in Asia-Pacific. Following a construction period of around two years, FUCHS opened one of its most modern production plants with an automated high-reck warehouse and fully automated production in Wujiang, China. It replaces the previous plant in Shanghai and has almost twice the capacity.

The administration of the China business, which will remain in Shanghai, and the research and development laboratories, which will also remain in Shanghai, were significantly expanded in 2019.

Around €22 million were invested in the region North and South America. In the US, work continued on a plant for the production of shock absorber oils and the modernization of the metalworking fluids plant at the Harvey site and investments were made in additional buildings for filling and for office space. In Kansas, modernization of the site continued and investment focused on production tanks for greases.

Depreciation and amortization

Depreciation and amortization increased significantly

As a result of the significant increases in investments, scheduled depreciation and amortization of property, plant and equipment and intangible assets increased significantly from €58 million in 2018 to €73 million in 2019. In addition goodwill impairments of around €6 million were recognized.

Acquisitions

Effective April 1, 2019, FUCHS acquired NULON, an Australian manufacturer of lubricants for the automotive sector, for around €11 million. As of November 1, 2019, a service company offering services in the fields of lubricants and chemicals process management (CPM) was acquired in Canada for €3 million.

Statement of cash flows

Statement of cash flows

in € million	2019	2018
Earnings after tax	228	288
Depreciation, amortization and impairment	79	58
Change of NOWC	45	-48
Other changes	-23	-31
Cash flow from operating activities	329	267
Investments in non-current assets	-154	-121
Other changes	0	1
Free cash flow before acquisitions	175	147
Acquisitions/divestments	-13	12
Free cash flow	162	159

Cash flow from operating activities increased significantly

Despite a €60 million year-on-year reduction in earnings after tax, cash flow from operating activities was €62 million up on the previous year's figure in 2019. In addition to higher depreciation and amortization, the significant release of funds resulting from a reduction in NOWC had a positive impact. This was largely made possible by a significant reduction in inventories.

The increase in cash flow from operating activities of €62 million compensated for the increase in investments from €121 million to €154 million by more than €33 million, meaning that free cash flow before acquisitions increased from €147 million in the previous year to €175 million.

Following payments for acquisitions (€14 million) and cash and cash equivalents acquired through acquisition (€1 million), free cash flow of €162 million (159) remained in the reporting year.

Dividends to shareholders of €131 million (126) were paid from this free cash flow. €8 million was used to repay bank debt and lease liabilities. Taking account of effects from currency translation, cash and cash equivalents increased by €24 million to €219 million (195).

Liquidity situation, financing structure, and dividend policy

Liquidity development and financing strategy

At the end of the reporting year, the Group held cash and cash equivalents of €219 million (195), which secure FUCHS flexibility and independence. Substantial holdings of cash and cash equivalents allow the continuation of investments in the future, even in a more difficult economic environment. It enables the policy of at least stable and, if possible, increasing dividend payments to the shareholders of FUCHS PETROLUB SE to continue and creates scope to seize possible opportunities for acquisitions.

In addition, the Group has access to free lines of credit of €190 million (183) at banks alongside the option to raise additional funds on the capital market.

2.7 Overall position and performance indicators

The Executive Board is convinced that the FUCHS Group remains in a good economic position.

FVA performance indicator

FUCHS employs a uniform KPI for the purposes of value-oriented corporate control in the form of FUCHS Value Added (FVA):

→ [24 Controlling system](#)

FVA = EBIT – capital employed × weighted average cost of capital (WACC)

WACC 2019

Basic data¹:

- Shareholder's equity costs² = 8.2% (7.7) after and 11.7% (11.2) before tax
- Borrowing costs³ = 0.7% (1.6) after and 1.0% (2.3) before tax
- Financing structure⁴ = 86% (86) shareholders' equity and 14% (14) borrowed capital
- Typical Group rate of taxation = 30% (30)

¹ Empirical financial market data as of December 31, 2019.

² Risk-free interest rate + market risk premium × beta factor.

³ Risk-free interest rate + sector-specific risk surcharge.

⁴ Sector-specific financing structure at market values.

Falling earnings and rise in tied-up capital reduce FVA

in € million	2019	2018	Change absolute	Change in %
EBIT	321	383	-62	-16
Capital employed				
Equity*	1,499	1,368	131	10
+ Financial liabilities*	26	6	20	>100
+ Net pension provisions*	31	26	5	19
+ Amortized goodwill*	85	85	-	-
– Cash and cash equivalents*	171	168	3	2
Total capital employed	1,470	1,317	153	12
WACC (in %)	10.0	10.0	-	-
Capital costs	147	132	15	11
FVA	174	251	-77	-31

* Average figures, each based on five quarterly values.

From the basic data at December 31, 2019, there is a WACC of 10.2% (9.8) before tax and 7.1% (6.9) after tax. Therefore, as in the previous year, the WACC used for 2019 is 10.0% before and 7.0% after tax.

The WACC is included in the FVA as a pretax interest rate because the earnings component is also taken into consideration as a pretax figure (EBIT).

Five-year report of FVA and its components

in € million	2019	2018	2017	2016	2015
EBIT	321	383	373	371	342
Average capital employed	1,470	1,317	1,227	1,134	960
Capital costs	147	132	123	114	96
WACC (in %)	10.0	10.0	10.0	10.0	10.0
FVA	174	251	250	257	246

The significant investments undertaken as part of the growth program demanded additional capital in 2019. Thereby capital costs increased by €15 million (+11%), while WACC remained unchanged. At the same time, EBIT decreased significantly by €62 million. In total, this resulted in a €77 million reduction in FVA to €174 million (251).

Liquidity as a performance indicator

Liquidity

FUCHS PETROLUB uses free cash flow before acquisitions as the key liquidity indicator for the Group. It is defined as cash flow from operating activities, net of investments in intangible assets and property, plant and equipment. Free cash flow before acquisitions indicates the scope of available financial resources, particularly for acquisitions, dividend payments and the settlement of debts and increasing cash and cash equivalents. Free cash flow before acquisitions as an important key liquidity indicator provides the basis for a large number of management decisions.

In 2019, the FUCHS Group generated free cash flow before acquisitions of €175 million (147), of which €131 million (126) was distributed to shareholders. €13 million was used for acquisitions and a further €8 million to repay bank debt and lease liabilities. Taking account of minor effects from currency translation, there was therefore €24 million available to increase holdings of cash and cash equivalents from €195 million to €219 million.

Thus, the Group's liquidity situation was also very good in 2019.

The following overview shows the development of free cash flow before and after acquisitions. The dividends paid to the shareholders of FUCHS PETROLUB SE were increased from year to year.

→ [# Five-year summary of free cash flow and dividends](#)

Growth as a performance indicator

Organic and external growth

FUCHS PETROLUB targets profitable growth, which can be generated both internally (organic) and through acquisitions (external). In the reporting year, the Group had to accept organic sales decreases in all three regions because of difficult economic conditions. The region Asia-Pacific achieved more substantial external growth in the reporting year. Information on organic and external growth can be found in the sections on sales revenues and earnings position of the Group and the regions.

Profitability as a performance indicator

EBIT

FUCHS PETROLUB measures the profitability of its business through earnings before interest and tax. In 2019, EBIT fell 16% year-on-year. Further information on this can be found in the sections on sales revenues and earnings position of the Group and the regions.

Five-year summary of free cash flow and dividends (total dividend payout)

in € million	2019	2018	2017	2016	2015
Free cash flow before acquisitions	175	147	142	205	232
Acquisitions/divestments	-13	12	-2	-41	-170
Free cash flow	162	159	140	164	62
Dividend distribution (for the previous year)	131	126	123	113	106

2.8 Opportunity and risk report

Opportunities

Future events that could lead to positive deviations from budget.

Risks

Future events that could lead to negative deviations from budget.

Opportunity and risk management

Early identification and appropriate assessment of risks and opportunities and their potential occurrence. Identification of measures for preventing risks and materializing opportunities.

Our risk and opportunity policy focuses on securing the continued existence of the FUCHS Group and increasing its enterprise value. Our corporate objective is to identify and leverage opportunities early on. We aim to detect risks as rapidly as possible, to assess them appropriately and to introduce adequate responses to prevent or avert them.

The Executive Board of FUCHS PETROLUB SE sets out the risk policy guidelines and strives to ensure a balanced relationship between risks and opportunities on the basis of the business model. Weighing up risks and opportunities is a key aspect of all business decisions, and thus an integral part of day-to-day business management in all oper-

ating units. Our system of risk and opportunity management is structured according to strategic planning processes based on comprehensive risk and opportunity assessments. The Executive Board, the Group Management Committee (GMC) and the management of the local operating business units therefore all work together closely to identify, assess, and control operating and strategic risks and opportunities. They are assisted in this by the Compliance Organization, Group Internal Audit and the central functions of FUCHS PETROLUB SE, which include, amongst others, Finance, Controlling, Legal, Taxes, Supply Chain, Human Resources and IT.

→ © Organization of opportunity and risk management in the FUCHS Group

Organization of opportunity and risk management in the FUCHS Group



The risk and opportunity situation of the Group is constantly monitored by the Executive Board and the GMC. The operating units and the central functions report identified risks and opportunities regularly. The Executive Board reports to the Supervisory Board on the findings of the risk and opportunity management process both regularly and on an ad hoc basis. We use countermeasures to avoid or reduce risks. As far as possible and economically reasonable, we transfer risks to third parties, for example through insurance contracts.

The Supervisory Board oversees the effectiveness of the risk management system through its monitoring of the Executive Board. The suitability of the established risk detection system in accordance with Section 91(2) of the German Stock Corporation Act (AktG) is part of the audit of the annual and consolidated financial statements by the statutory auditor.

Opportunity report

Opportunity management within the Group

Within a dynamic market environment, the FUCHS Group's global business operations continuously create new opportunities, whose systematic detection and utilization are key components of our long-term focused corporate strategy. The Group has established planning, governance, and reporting processes to ensure that opportunities are detected early on and assessed within the

strategy dialog. On the basis of economic analyses by recognized institutes, market information, and information from our own monitoring systems, we also aim to leverage the opportunities presented by the latest developments appropriately and early on.

The measures for materializing opportunities are coordinated between the Executive Board/GMC and the management of the local operating business units. Global information is regularly compressed in the context of budgeting and general projections. Potential opportunities not taken into account in these calculations are reported as part of the reporting of opportunities and risks at company level.

Macroeconomic opportunities

The global presence of the FUCHS Group in almost all industrial markets of established and emerging economies allows us to participate in growth stimulus. Our goal is to participate in the dynamic development of these markets and to acquire new customers and additional orders. On the basis of the business model, various opportunities arise across the different regions, customer sectors, products, and customers.

Corporate strategy opportunities

On the basis of our mission statement "LUBRICANTS.– TECHNOLOGY.PEOPLE.", our focus on lubricants, our capacity for innovation, our technological leadership in key business segments, our pronounced quality consciousness and especially our qualified employees are the pillars for

our corporate success. These strengths, in combination with the proven business model and prompt identification of future requirements regarding products, environmental protection, legal and regulatory rules, support the further expansion of our position on global lubricant markets and the development of optimal lubricant solutions for our customers. We are keen to achieve further organic growth and, if possible, growth through strategic acquisitions as well.

Sector and competition opportunities

The physical and organizational structure of our efficient and global network of sales representatives, application engineers, and commercial partners is aligned with the sector-specific and market-specific requirements of our customers. The corporate strategy stipulations deriving from our mission statement are operationalized at the individual companies and in the central functions.

Opportunities from research and development

To strengthen our customer structure and further diversify our product portfolio, we engage in joint research and development activities in a network with universities, associated research institutes, and our customers. We emphasize our technological leadership in key business areas by investing specifically in research and development for high-grade lubricants. We develop custom product solutions that offer our customers sustainable benefits. Product innovations make an important contribution to supporting profitable organic growth, thereby boosting both our added value and our competitive position.

Opportunities from employee development and sustainability activities

We also see opportunities above all in specifically promoting the expertise and capacity of our employees and managers, and utilizing these qualities to further develop our business. The same applies to the early anticipation and implementation of trends in the field of energy-saving and environmentally friendly products. Our sustainability activities combine the economic, ecological, and social aspects of our operations.

Opportunities from digitalization and Industry 4.0

Ongoing digitalization is changing the entire economy at a growing rate, and is transforming traditional setups and established processes on a long-term basis. The fourth industrial revolution – the intelligent networking of machines and factories in the Internet of Things – will make the connection of software, mechanics and electronics via the internet of a previously unfathomable complexity possible in the near future. These so called cyber-physical systems will increase the net product across all sectors in the long term and give rise to a variety of new business models.

In digitalization and Industry 4.0, we see potential in a range of areas – for us and our customers – to make processes more efficient, to utilize data more intensively, to help shape the networking of intelligent systems and thus

to tap new business areas as well. We therefore intend to use this development as an opportunity to continue to expand and strengthen our position as an innovation and competition leader.

Risk report

The Group's risk management system

The risk management system (RMS) stipulated by the Executive Board of FUCHS PETROLUB SE and implemented in all Group units governs the way in which risks are handled within the FUCHS Group, and defines an uniform methodology to be employed throughout the Group, which is integrated into the planning, governance, and reporting processes of all operating units and central functions. The configuration of the RMS and the internal control system is modeled on the internationally recognized COSO II framework of the Committee of Sponsoring Organizations of the Treadway Commission.

We comprehensively and transparently map the risks of all business activities and procedures using a structured process that identifies, assesses and then formulates countermeasures, in addition to providing regular reporting and tracking.

Budgets and forecasts, not to mention the associated risk audits performed by the management of the operating units every six months and by the central functions once a year in a structured manner, form the basis of global risk controlling in the Group. Risk reporting covers such risks that were not already taken into account in the corresponding figures when preparing budgets and projections. The risk reporting process is supported by an IT solution. The completeness of the risk reports can be assessed and ensured using a risk catalog. When assessing risks, their probability of occurrence and the associated potential extent of loss are taken into account respectively.

The deviation from the budgeted earnings after tax represents the extent of loss. A distinction is made between gross losses before and net losses after risk mitigation measures. Risk mitigation measures are defined, implemented, and assessed locally to determine their effectiveness. The reports are validated by the regional management and the Group Executive Board.

The individual risks reported by the Group companies and departments are bundled at Group level to create aggregated risks. The aggregated risks are classified on the basis of their probability of occurrence and extent of net loss.

The following assessment criteria therefore apply to aggregated risks at Group level:

Likelihood of occurrence

Likelihood of occurrence	Description
≤10%	Unlikely
>10% and ≤25%	Possible
>25% and ≤50%	Likely
>50%	Very likely

Extent of net loss

Extent of net loss	Description
Insignificant	Deviation from budgeted earnings after tax is less than or equal to €25 million
Low	Deviation from the budgeted earnings after tax is greater than €25 million and less than or equal to €55 million
Moderate	Deviation from the budgeted earnings after tax is greater than €55 million and less than or equal to €70 million
Significant	Deviation from the budgeted earnings after tax is greater than €70 million

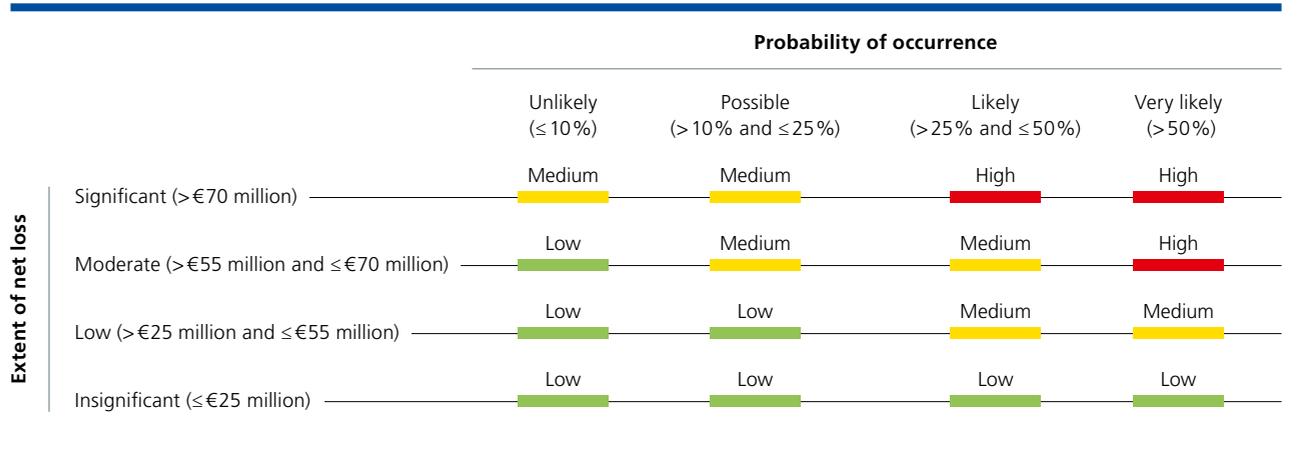
The combination of the probability of occurrence and extent of net loss determines the classification of risks into the risk category low, moderate or high from the Group’s perspective. In line with our risk methodology, only moderate and very likely as well as significant and likely or very likely aggregate risks are classified as high risks.

→ © Risk matrix

Even with appropriately set up and fully functional risk reporting systems, it is not absolutely certain that all risks can be identified. Based on our current knowledge and the information available to us, we have appropriately taken into account and presented the risks associated with business operations.

On the basis of the risk classification system described, the FUCHS Group is not currently subject to any aggregated risks rated as high.

Risk matrix



Significant features of the internal control and risk management system with regard to the Group accounting process

In addition to the risk management system, the Group has an internal control system (ICS) that aims to ensure regular, accurate and effective accounting and financial reporting as well as compliance with the key legal provisions and internal regulations relevant to the company. The system is incorporated in the underlying business processes in all relevant legal units and central functions and is developed on an ongoing basis.

The systems in place for monitoring the entire company comprise a comprehensive control system for monitoring operational and financial processes in the form of periodical financial reports, projections, budgets, compliance and audit reports. There are also stipulations at the level of the individual companies on the dual control principle, the segregation of duties, and compliance with authorization levels.

The Group accounting process is designed in such a way that uniform reporting of all business transactions is guaranteed throughout the Group in line with legal requirements, generally accepted accounting principles, international accounting standards as adopted by the EU (International Financial Reporting Standards, or IFRS) and supplementary internal Group guidelines. All companies included in the scope of consolidation report in a standardized form.

The decentralized organization of the Group accounting process starts with the information in the financial statements of the individual companies of the Group, and comprises reporting with comprehensive monthly key figures in addition to detailed quarterly and annual financial statements. These are regularly checked within the Group for completeness, accuracy, and plausibility. The information is aggregated using a technical, Group-wide reporting system.

Effectiveness and security

The Group accounting requirements are prepared centrally and described in a regularly updated accounting manual. Any amendments to existing accounting regulations affecting the consolidated financial statements of FUCHS PETROLUB SE are analyzed promptly and communicated to the Group companies for implementation. The professional competence of the staff involved in the financial accounting process is ensured through their careful selection, training, and continuing professional development. The largely standardized IT systems and corresponding security concepts give the IT systems used in accounting the best possible protection against unauthorized access. Within the scope of its audits over the course of the year, Internal Audit reviews the effectiveness of the internal control system. The internal controls of financial reporting are also checked for appropriateness and effectiveness by the statutory auditor applying a risk-oriented audit approach.

The various activities that make up the internal control and risk management system (particularly with regard to the Group accounting process) at FUCHS PETROLUB SE are specifically designed to detect and reveal potential risks and undesirable developments as soon as possible. However, even our systems cannot provide absolute security against potential errors. As part of the audit of the annual financial statements, the statutory auditor confirmed that the Executive Board has suitably implemented the measures required in accordance with Section 91(2) of the German Stock Corporation Act (AktG). In particular, these requirements stipulate the establishment of a monitoring system as a going concern capable of detecting developments that could jeopardize the company early on.

Risk aggregation

On the basis of the risk classification system described above, the FUCHS Group is not currently subject to any aggregated risks rated as significant. From a Group perspective, the aggregation of all risks results in a classification in the moderate category (extent of net loss: €45 million, likelihood of occurrence: 34%) and is therefore not significant. Nevertheless, risks that need to be monitored constantly owing to their significance to the Group and the individual companies have been presented below.

Macroeconomic risks

Like every global company, the FUCHS Group is also exposed to risks arising from an unknown future development of the overall economic climate that cannot be fully covered within the scope of comprehensive risk reporting. Any deterioration in the general economic conditions in our sales regions can potentially impair the sales revenue and earnings position of the Group. Geopolitical and economic crises can impact regional markets.

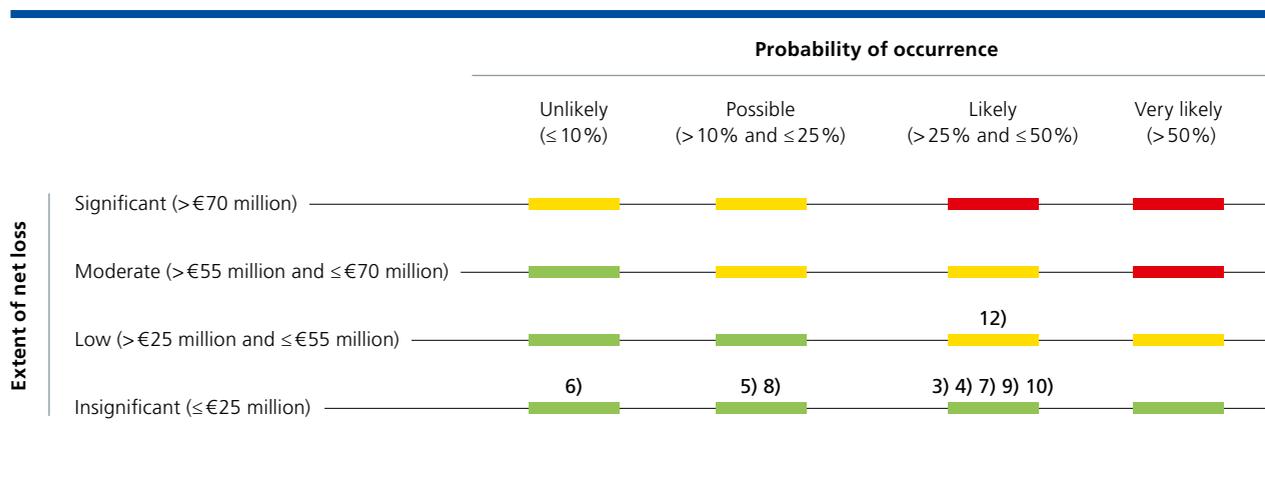
The systematic alignment of our business activities with the major economic areas of Europe, North and South America, Asia-Pacific and Africa limits any dependency on individual customer countries and therefore helps to diversify risk. The diversified product, region and customer portfolio also helps to at least partially compensate for temporary economic fluctuations, such as those caused by more favorable developments in other regions, markets or sectors.

Company-specific risks

The table below shows the current assessment of the identified, company-specific risks under constant monitoring.

→ [© Overview of risk aggregates](#)

Overview of risk aggregates



No.	Risk aggregate	Risk classification	Change comp. to 2018
Strategic risks			
1)	Investment and acquisition risks	Not quantifiable	▶
2)	Risks from research and development	Not quantifiable	▶
3)	HR risks	Low	▶
Operational risks			
4)	Sector, competition and customer-related risks	Low	▶
5)	Procurement risks	Low	▶
6)	IT risks	Low	▶
Legal, regulatory and liability-related risks			
7)	Location risks (in the broader sense, legal, regulatory and political risks)	Low	▼
8)	Product, environment and production-related risks	Low	▶
Financial risks			
9)	Currency risks	Low	▶
10)	Credit risks	Low	▶
11)	Impairment risks	Not quantifiable	▶
12)	Overall risk profile of the Group	Medium	▶

Strategic risks

1) Investment and acquisition risks

Investment and acquisition projects are regularly associated with complex risks. If there are unforeseen changes to economic or legal frameworks, the respective project costs may increase. Planned project completion dates may also be delayed. Investment and acquisition decisions are therefore implemented on the basis of specific processes and procedures, are subject to careful examination in a multi-stage process and are comprehensively monitored by comprehensive project and cost controlling.

2) Risks from research and development

The opportunities of our major capacity for innovation and our high degree of specialization also lead to risks of a complex portfolio and restricted predictability of research and development projects. To manage these risks, most products are developed in close collaboration with our customers. We also conduct joint research with universities or other research institutions. Technical developments that allow expertise specific to the company to become generally available are regularly a potential risk to technology leadership. The development of new and innovative products therefore requires effective and comprehensive intellectual property protection, which we secure internally through our organization and appropriate processes.

3) HR risks

The commitment and expertise of our employees are the basis for our economic success. Our goal is therefore to recruit highly qualified technical and managerial staff, and to retain them in our company in the long term. Should we not succeed in the “war for talents”, this could result in risks to the company in terms of personnel availability. We use multi-faceted HR marketing initiatives to make the attractiveness of the FUCHS Group as an employer known in the market. In order to retain high performers and talented employees, we have inter alia implemented a manager development program and offer interested employees extensive opportunities for structured continuing professional development. Our values and management principles form the basis for FUCHS’ appeal as an employer.

In our aggregation of risks, we also focus on employment law-related legal proceedings and disputes, to which we could in principle become a party – whether as plaintiff or defendant.

Operational risks

4) Sector, competition and customer-related risks

Ongoing intensive competition on sales markets, rising customer quality standards and technological progress are crucial to the FUCHS Group. We are therefore exposed to

general competition risks. Dependency on individual customers and industries may also pose additional risks.

Thanks to its wide product portfolio, FUCHS is active in many sectors. The automotive sector is a key sales market. However, protectionist tendencies in the trade between the USA and China are still affecting the automotive sector and its sales markets. This poses a risk to the demand for the automotive industry’s products. We have already taken appropriate account of a potential associated risk to sales of FUCHS products in our outlook for 2020. It is therefore not included in the aggregated risks.

In the case of tender-based, time-limited customer contracts, the expiry of such contracts and/or any request by the customer to retender, poses the potential risk that this business could be lost. A similar risk applies to clearance-based automotive lubricants, for example in first fill business, if competitors’ products are also given such clearance.

Although the Group’s business operations are already highly diversified, we are keen to further expand these operations through the incorporation of new client groups, markets, and industries. In this context, we wish to maintain and further consolidate our position as technological

leader in strategically important business fields and niches directly with customers through continuous innovation activities, partnership-based research and development work and application-based support. Our goal is to offer our entire product portfolio worldwide.

5) Procurement risks

On the procurement side, we see key risks in the availability of raw materials, market changes, suppliers taking advantage of oligopoly positions and the price fluctuations entailed by this circumstance. Furthermore, the procurement of raw materials in foreign currency at volatile prices represents a transaction risk. In terms of organization, central departments and the various departments at our producing foreign subsidiaries monitor the procurement markets within the Group to detect any unfavorable developments early on and to ensure a rapid response. Further countermeasures include securing our supply of base oils and important chemicals via a broad procurement basis, continuously searching for alternative suppliers, and collaboration on technical committees to help secure a greater substitutability of base oils.

The use of raw materials by the FUCHS Group is divided into chemical raw materials and base fluids. The base fluids also include base oils. Many of the chemical raw materials are originally based on crude oil and do not reach FUCHS until they have undergone further stages of refine-

ment, i. e. following significant increase in value. Crude oil price changes also affect the procurement prices of several raw materials, though not directly and not to the same extent. In addition, the US-Chinese trade conflict and the tariffs imposed in the course of it burden the global material flow. Furthermore, any unplanned disruptions experienced by the Group's raw material suppliers may pose a risk, although internal contingencies can be deployed to mitigate any procurement risk.

6) IT risks

IT risks arise from the increasing complexity of the organizational and technical networking of sites and systems. Major technical malfunctions or failures of relevant systems could lead to significant impairments in business and production processes, resulting in operational disruptions and interruptions. We counter these risks by implementing a global IT strategy, collaborating with established IT service providers, and using sound backup and recovery procedures.

Additional IT risks are those with respect to cybercrime and cyberattacks, which, for example, use the Internet as a means of action. The criminal misuse of digital technologies is an increasing challenge. We estimate the likelihood of such a risk as possible, but we cannot reliably quantify expected net loss. In addition to targeted attacks on our systems with the aim of shutting them down (through ran-

somware, virus or phishing attacks, for example), the theft of internal data and the various forms of so-called CEO fraud are particularly considered as risks. We try to avoid these risks by consistently protecting our systems and IT infrastructure. In addition, employees are kept up-to-date with current practices, developments and technologies through training events and guidelines, and are thereby also sensitized to the detection of potential attempts of fraud.

Legal, regulatory and liability-related risks

7) Location risks

Location risks (in the broader sense, legal, regulatory and political risks) constitute the greatest aggregation of risks for the FUCHS Group and are therefore assessed in greater detail below.

7.1) Legal risks

We aim to control legal risks and keep them as low as possible. We have therefore taken the necessary precautions to identify threats and to defend our rights if necessary. Nonetheless, we are exposed to legal risks in areas including product liability (subsumed under product risks), patent law, employment and competition law, taxes (income taxes as well as other taxes and levies) and environmental protection. Legal disputes, the emergence of new legal disputes as well as the agreement on existing ones are therefore a normal condition of our business activities, our global presence and our diversified product

portfolio. We counter these risks with the legal expertise embedded in our central functions and with the help of external specialists. We regularly map the expected outcome of these disputes in budgets and projections and review their status constantly. A transaction tax dispute and a patent dispute remain unresolved and in ongoing legal proceedings.

Illegal conduct harbors the risk of damaging the company's image, weakening our market position and even causing us financial harm. The FUCHS Executive Board has implemented a Group-wide compliance management system (CMS) to ensure legally compliant and social-ethical conduct. The prevention and detection of violations, and responding to these, are key components of the CMS. We do not tolerate any non-compliance with legal provisions, the FUCHS Code of Conduct, our five central values or other internal policies. The CMS is presented in more detail in the corporate governance declaration in the corporate governance report.

7.2) Regulatory risks

Regulatory risks mainly refer to amendments in regulation policy and legislation – globally and on individual sales markets. We address these risks with the expertise of dedicated specialists, as well as appropriate legal and insurance consulting.

In particular, the amendment of European chemicals law and the Globally Harmonized System (GHS) constitute specific regulatory risks to the chemicals industry. The European REACH (Registration, Evaluation, and Authorization of Chemicals) regulation is fundamentally changing legislation governing chemicals in the EU member states. In compliance with the “no data, no market” principle, all pre-registered existing substances manufactured in quantities of more than one ton per year in the EU or imported into the EU have had to be REACH registered since May 31, 2018. All substances, which were previously not registered, are regarded as new materials with immediate effect and must also be registered before manufacture or import. There is a risk that our suppliers will seek not to register new raw materials that we use, and will no longer sell these raw materials or fail to register them on time. We are addressing this risk by working towards timely registration by our suppliers or developing alternative solutions in a dialog with our suppliers.

In addition to the European REACH regulation, other chemicals regulations around the world are also being established or updated at the national and international level. We must meet different regulatory requirements to enable the sale of our products within the EU and worldwide. This is why we have set up a network of experts who analyze the relevant legislation and ensure compliance with the respective regulations in close cooperation with our suppliers.

With its GHS, the United Nations is seeking to introduce a uniform worldwide system for the classification and labeling of chemicals. The introduction of GHS requires the reassessment of the toxicity properties of materials and formulations. We are supporting the introduction of GHS worldwide by creating appropriate organizational structures. The labeling requirement could, however, mean that products in the FUCHS product range can no longer be sold unreservedly. We have already developed alternative formulations for potentially affected products. Our expert teams are also working on further alternatives.

7.3) Political risks

The continuing tense trade relationships between the USA and China, the economic and political situation in the Near and Middle East and also the potential realignment of entire national economies such as the UK represent risks for the economic development of the sales regions. General conditions for the FUCHS companies in question will also be affected by this. As described in the section on macroeconomic risks, we counter this risk through a broad geographic base and a diversified portfolio.

8) Product, environment and production-related risks

The production, filling, storage and transport of chemical raw materials, products, and waste entail potential product and environmental risks. These can present themselves in the form of incidents with a direct impact on persons, the environment and production processes. We therefore work to high technical (safety) standards when building, running and maintaining our plants. We also use targeted measures to comply with soil and water protection regulations. The insurance programs in place throughout the Group are used to reduce the risks of damage to property, liability risks, transport risks and the risks posed by potential business interruptions. We also counter the effects of unplanned business interruptions in our plants with safety stocks and our global production network.

As a result of using our products on critical machine components in continuous operation inter alia and for the first fill of vehicles and the commissioning of production facilities, deviations in product quality may lead to product liability risks, especially in the case of business interruptions or recalls. We counter these risks by subjecting our finished goods to an extensive quality control process and comprehensive insurance cover. Besides product-related risks under liability legislation, the unauthorized use of our trademark rights on counterfeit products, for example, represents another product-related risk.

Financial risks

Major financial risks are monitored and controlled by the central treasury department of FUCHS PETROLUB SE. There are detailed guidelines and requirements, approved by the company's Executive Board, specifying how financial risks are to be controlled. Financial and currency risks are reduced by entering into term and currency-matched financing and by making use of derivatives. We employ these instruments for hedging purposes only. The fair value of the forward currency transactions is calculated on the basis of recognized valuation models and current market data. The models are assigned to Level 2 in the fair value hierarchy. This control is employed strictly according to binding internal guidelines that utilize a two-person principle that guarantees adequate functional separation between trading and processing.

9) Currency risks

In regard to currency risks, we distinguish between transaction and translation risks. Transaction risks occur as a result of income and expenditure in foreign currency, such as in the procurement of raw materials. Owing to the structure of the lubricants business, which does not entail long run-up periods or a high level of orders on hand, there is no long-term hedging of currency positions in operating business. By contrast, the exchange rate risks resulting from granting intra-Group loans in foreign currency loans are hedged.

The translation risk is due to currency conversion of balance sheets and income statements into Group currency,

the euro. As the FUCHS Group includes many Group companies not based in the euro area, exchange rate fluctuations can influence the Group's results. In some instances, transaction and translation risks therefore sometimes have a counteracting and thus compensatory effect at Group level. For the US-Dollar, the Group's transaction risk is greater than the translation risk.

10) Credit risks

Receivables can become impaired if customers do not meet their payment obligations. The operating units of the FUCHS Group work with standard Group specifications for receivables management, which define controlling and auditing activities for the prevention of bad debts. These include credit assessments for new customers and the regular analysis of existing customers and the review of and, if applicable, reduction in the credit limits granted. Depending on the nature of the business relationship, additional collateral such as credit insurance, advance payments, bank guarantees, documentary credits and securities may be required for business transactions.

11) Impairment risks

The determination of the recoverability of goodwill takes place annually on the basis of planning based on past experience, the current operating results, and the best possible estimate of corporate management regarding future developments. In particular, changes in conditions on sales, procurement, and financial markets may result in devaluation risks.

Other non-quantifiable opportunities and risks

The digitalization and increasing networking of the industry will cause business processes to change, technology to be supplanted and individual business models and sectors to be called entirely into question. In the long term, the growth of alternative propelling systems will reduce demand for FUCHS products in conventional propelling systems. At the same time, demand will increase for lubricants used in such alternative systems. For FUCHS, the topics of digitalization and e-mobility entail both risks and opportunities. They do not result in individual risks that are material for the Group.

As part of digitalization, processes at global companies will increasingly coalesce and become more intertwined. If our core processes are not harmonized worldwide, this may lead to inefficiencies.

Overall assessment of the Group's opportunities and risks

The opportunity and risk management system set up by the Executive Board and implemented worldwide is appropriately aligned with the FUCHS Group's opportunity and risk profile, and is also subject to constant further development, taking into account new opportunities and risks where appropriate.

The way in which the Group presents opportunities is a consolidated assessment of all significant opportunities in the forecast period. The way in which risks are presented throughout the Group is a consolidated assessment of all risks derived from the budget and risk reports submitted by both the individual companies and central functions for the forecast period. The overall risk profile of the FUCHS Group has not changed since the previous year.

The Executive Board cannot currently discern any risks jeopardizing the company as a going concern. We consider it unlikely that all the individual risks would occur at the same time.

2.9 Forecast Report

Group alignment and economic framework

The FUCHS Group has a broad regional base, serves a large number of industries and special applications and is thereby extensively diversified. The portfolio contains a large number of products that place great demands on technology and are associated with servicing. The Group is improving existing products or developing new ones with the aim of reducing costs for customers or solving technical problems.

The sales markets include highly developed industrialized countries as well as emerging markets that often display faster economic development.

General economic development forecasts

In January 2020 the International Monetary Fund (IMF) lowered its forecast for growth in the global economy in the current year by a further 0.1 percentage point to the current figure of 3.3%. The economic risks remain high. The IMF highlights the risks of escalating geopolitical tensions, especially between the US and Iran, of social riots and a deterioration in the relations between the US and the key trade partners. The economic consequences of the corona virus and Brexit are not calculable either. The IMF assumes growth of 2.9% for the past year 2019. According to our expectations, the global lubricant market, which experienced growth of around 1% in 2019, will also grow slightly weaker in 2020 than in the previous year.

The market development in our customer sectors and in the three global regions please refer to the section “Macroeconomic and sector-specific conditions”. The development in 2019 and forecasts for 2020 are described starting on page 29 et seq.

→ [29 Macroeconomic and sector-specific conditions](#)

Anticipated results of operations, net assets and financial position

Based on the anticipated development of the global economy, the growth of the lubricant market and the globally and broadly diversified structure, the FUCHS Group is planning organic growth in sales revenues in addition to external growth in 2020. The Executive Board expects a slight improvement in earnings. Firstly, the strict cost management will continue and new hires will be kept to a minimum. Secondly, the extensive investments in production facilities and IT infrastructure will continue as part of our growth strategy, and research and development activities will also be strengthened. The goal is to meet the increasingly complex future requirements at an early stage. Given the profitability and financial strength of the Group, this process, which temporarily involves higher costs rather than increases in earnings, will continue despite the weak global economy.

Forecast performance indicator*

	Actual 2019	Forecast 2020
Sales revenues	€2,572 million	+0% to +4%
EBIT	€321 million	+0% to +4%
FVA	€174 million	around €170 million
Free cash flow before acquisitions	€175 million	around €130 million

*The effects on the global economy and FUCHS cannot be estimated.

The anticipated increase in sales revenues is based on organic volume growth and external growth. The latter is mainly due to the acquisition of NYE, a manufacturer of synthetic high-performance lubricants in the US, which was completed at the end of January 2020. It remains to be seen whether further acquisitions can be made over the course of 2020.

Planning is on the basis of exchange rates at the end of September 2019. When translating the planned sales revenues into the Group currency, the euro, on basis of the January 2019 exchange rates, there is a minimal positive translation effect of less than 1%. However, in the absence of reliable currency forecasts it is not possible to predict whether this effect will continue over the course of the year or how it will develop.

While the increase in cost base arising from the investments in the future of the Group is planned and managed, potential increases in raw material prices and the opportunities for them to be passed on quickly cannot be predicted.

The achievement of our sales and earnings forecast presupposes that the macroeconomic assumptions made for 2020 are correct. Should the global economy and global lubricant consumption grow stronger than forecasted, a higher EBIT should also be expected. Aside from these opportunities for a better development than anticipated, conversely, there are risks of weaker development, such as in the case of weaker growth, the aforementioned cost increases may have a more significant impact.

All regions are planning organic sales growth and the plans of many companies also see growth in EBIT. Due to the planned cost increases, some companies expect a temporary decrease in earnings, in particular in Germany.

Capital employed will increase further. The Group is planning investments in property, plant and equipment of €120 million. In particular, investments will be made in Germany, USA, China, South Africa, Russia and Sweden. In Germany, we are planning to modernize and expand production facilities at the sites in Mannheim, Kaiserslautern and Kiel, to create storage facilities and improve logistics, to expand our IT and research and development infrastructure as well as office space. In China, the offices and laboratories in Shanghai will be extended and modernized, the grease plant in Yingkou will be further automated. Furthermore additional investments in extending the new Wujiang site will also be made. In the US, expansion of the grease site in Kansas City will continue, work is ongoing on various larger projects at the site in Chicago, additional space will be purchased in South Africa and in Russia the existing plant will be completed.

Also NOWC will continue to grow as business volume grows.

Hence, we are anticipating – assuming an improvement in EBIT – an FVA around €170 million. We assume that the weighted average cost of capital (WACC) will remain unchanged. We expect free cash flow before acquisitions to be around €130 million (175).

FUCHS does not expect Brexit to have any material direct impact on consolidated earnings. Our British company currently contributes less than 5% to Group EBIT. It is currently not possible to put a reliable figure on the possible indirect effects of Brexit on the FUCHS Group resulting from a potential decline in economic activity.

The corona virus will at least have a negative impact on the first quarter's earnings. The effects on the global economy and the FUCHS Group cannot be estimated.

2.10 FUCHS PETROLUB SE (HGB)

FUCHS PETROLUB SE is the parent company and strategic management holding of the FUCHS Group. The company is a stock corporation under European law. The position of FUCHS PETROLUB SE is essentially determined by the business success of the Group.

The annual financial statements of FUCHS PETROLUB SE are drawn up in line with the regulations of the German Commercial Code (HGB) and German Stock Corporation Act (AktG).

The company operates direct subsidiaries and associates and secures both the continued existence and further development of the Group with its employees. Beside business management duties, the development and transfer of technical know-how, as well as marketing activities and protecting the FUCHS brand represent further important functions. Most of the income generated by FUCHS PETROLUB SE takes the form of dividend income and income from investments, as well as royalties for technical knowhow and trademark rights. The expenses accrued by FUCHS PETROLUB SE primarily relate to administration, technical development, and brand management. Furthermore, tax payments are to be made for the tax consolidation group and dividends are to be paid to the shareholders.

FUCHS PETROLUB SE is in an excellent economic position. The financial position, net assets, and results of operations are very solid.

Results of operations

Earnings after tax at FUCHS PETROLUB SE amount to €180 million and are therefore €4 million down on the previous year. The forecast expressed at the beginning of the year of earnings after tax of at least €200 million was therefore not achieved. This was due to dividend payments from abroad, which were lower than expected because of declining earnings of the subsidiaries and an expected acquisition.

→ [# Results of operations FUCHS PETROLUB SE](#)

Results of operations FUCHS PETROLUB SE

in € million	2019	2018
Sales revenues	60	61
Investment income	217	217
Other operating income	8	9
Staff costs	-23	-23
Depreciation and amortization	-1	-1
Other operating expenses	-34	-32
Earnings before interest and tax (EBIT)	227	231
Financial result	1	0
Earnings before tax	228	231
Income taxes	-48	-47
Earnings after tax	180	184
Retained earnings brought forward from the previous year	0	0
Transfer to other retained earnings	-46	-53
Unappropriated profits	134	131

The SE's sales revenues result from licenses of €49 million (50) and cost allocations of €11 million (11).

The income statement continues to be predominated by investment income. Profit distributions from foreign stock corporations were €109 million (78). Income of €119 million (132) was received from profit and loss transfer agreements in place with German subsidiaries. Due to the decline in earnings in China and an expected acquisition in the US, distributions from these two countries were reduced compared with former plans. Investment income was negatively impacted by an impairment of €14 million of an investment in Sweden, while the reversal of an impairment of the Brazilian subsidiary of €3 million had a positive impact.

Other operating expenses resulted primarily from the transfer of expenses and fees charged by the holding company. They decreased slightly in the past financial year from €9 million to €8 million.

Staff costs remained stable at €23 million (23).

Other operating expenses rose by €2 million to €34 million (32). Research and development subsidies still represent the largest expense items. Other costs include, in particular, consultancy, maintenance, travel and other staff costs.

2.10 FUCHS PETROLUB SE (HGB)

Earnings before interest and tax (EBIT) decreased by €4 million to €227 million compared to the previous year. After including interest income of €1 million (0), earnings after tax were €228 million (231). After taxes of €48 million (47) for the tax consolidation group, earnings after tax amounted to €180 million (184).

Unappropriated profit as of December 31, 2019, is €134 million (131) after an allocation of €46 million to retained earnings.

Net assets and financial position

→ ## Net assets and financial position FUCHS PETROLUB SE

Being the holding company, the assets of FUCHS PETROLUB SE essentially comprise shares and investments in companies, as well as receivables due from these companies.

Financial assets and receivables from affiliated companies of €1,093 million (962) were reported. This represents 96% (88) of assets. Beside this, cash and cash equivalents and current securities of €32 million (120) were held.

An impairment of an investment amounted to €14 million. This was offset by write-up on an investment of €3 million.

The receivables due from affiliated companies were primarily attributable to domestic companies. Only the Group's financing company FUCHS FINANZSERVICE GMBH utilized €545 million (402) or 94% (91) of the funds.

Through further accumulation, FUCHS PETROLUB SE's equity rose by €49 million to €1,120 million (1,071). The equity ratio is unchanged at 98%.

As in the previous year, the provisions of €21 million (23) related primarily to taxes and variable compensation.

The off-balance sheet of contingent liabilities and other financial obligations of FUCHS PETROLUB SE came to €82 million at the end of the reporting period and were therefore €27 million up compared to the previous year. They result entirely from guarantees in favor of affiliates or in favor of companies in which an interest is held.

Planned construction of a new office resulted in contractual investment obligations that amounted to €16 million as of December 31, 2019. This will be financed from own resources.

Net assets and financial position FUCHS PETROLUB SE

	December 31, 2019		December 31, 2018		Change in € million
	in € million	in %	in € million	in %	
Intangible assets and property, plant and equipment	13	1	8	1	5
Financial assets	513	45	524	48	-11
Receivables due from affiliated companies	580	51	438	40	142
Cash and cash equivalents and current securities	32	3	120	11	-88
Other assets	6	0	6	0	0
Total assets	1,144	100	1,096	100	48
Total equity	1,120	98	1,071	98	49
Provisions	21	2	23	2	-2
Other liabilities	3	0	2	0	1
Total assets	1,144	100	1,096	100	48

Forecast report

The development of the FUCHS Group has direct effects on the development of FUCHS PETROLUB SE. The assumptions and statements made in the Group's forecast report are therefore equally relevant for FUCHS PETROLUB SE.

Planning anticipates a reduction of €40 million in investment income for 2020 compared with 2019. Thus, we are expecting earnings after tax of around €140 million.

Unappropriated profit and dividend proposal

Based on the result according to the German Commercial Code, in which unappropriated profit of €134 million is reported, the Executive Board and Supervisory Board will submit a proposal to the Annual General Meeting that the dividends should be increased by €0.02 per share over the previous year

- to €0.96 (0.94) per ordinary share entitled to dividend and
- to €0.97 (0.95) per preference share entitled to dividend.

According to this, dividend payments will amount to €134 million (131).

2.11 Combined non-financial declaration

This combined non-financial statement meets our reporting obligations under the CSR Directive Implementation Act. The contents of the non-financial statement were examined by the Audit Committee and the Supervisory Board of FUCHS PETROLUB SE. The auditor's opinion on the group management report does not extend to the contents of the non-financial statement. All information in the non-financial statement applies equally for the Group and the parent company unless otherwise indicated.

In order to avoid duplication within the management report, we refer to the relevant sections for further information in other chapters. References to information outside the combined management report are additional notes. They are not part of the non-financial statement.

FUCHS has set up targets, concepts, measures and due diligence processes for environmental, employee and social concerns in addition to respecting human rights and combating corruption and bribery as well as the supply chain. The following declaration contains information from FUCHS PETROLUB SE on the non-financial aspects of these concerns.

The company did not use a specific national, European or international framework to prepare this declaration, it is however based on the content requirements of the CSR Directive Implementation Act (CSR-RLUG). However, FUCHS will amend all necessary processes and structures

in such a way that reporting can take place in accordance with the indicators specified in the Global Reporting Initiative (GRI) for the financial year 2021.

FUCHS PETROLUB SE assumes corporate and social responsibility. This responsibility includes legal and socio-ethical aspects that FUCHS intends to adhere to while operating successfully as a company. FUCHS is committed to conducting business fairly and transparently. Its activities are established on the rule of law in all countries in which the company operates. Further information can be found in the Business model section.

→ [22 Business model](#)

The FUCHS mission statement with the canon of values: trust, creating value, respect, reliability and integrity form the foundation and benchmark for the responsible conduct of FUCHS. The two core elements, mission statement and canon of values, enable the organization to act target-oriented within a fair and transparent corporate culture.

To ensure future viability, sustainability is firmly established in the values of the FUCHS Group. Taking social and ecological responsibility is part of the corporate self-image at FUCHS. Therefore the three sustainability dimensions of economy, ecology and society are core elements of good corporate governance for FUCHS. To us, sustainability also means constantly evolving and optimizing. FUCHS respects human rights and actively fights against corruption

and bribery. Our business activities are also focused on the supply chain as a strategically important part of our business relationships.

Within the framework of its existing risk management system, the company analyzes and assesses the material risks entailed by its business activities and business relationships. This also includes any possible repercussions of these risks, which are examined in more detail in this declaration. As far as corresponding risks exist, they are presented in our opportunity and risk report.

→ [45 Opportunity and risk report](#)

The Executive Board lays down the basic principles for sustainable business in the FUCHS Group, which are summarized in the form of a sustainability guideline. The Group's Chief Sustainability Officer (CSO) accompanies the company-wide activities relevant to sustainable business, in particular ecological aspects. FUCHS has established a Local Sustainability Officer at every national unit with production operations. These sustainability officers act as the interface for the Chief Sustainability Officer and are available as points of contact in this regard. The Executive Board defines the strategic framework for this purpose in close cooperation with the CSO. The FUCHS Sustainability Committee ensures information sharing within the Group along the process and value chain. Further information can be found in the Sustainability Report.

→ www.fuchs.com/sustainabilityreport

FUCHS has implemented a compliance management system (CMS) to ensure legally compliant and social-ethical conduct. The basic principles of the CMS are firmly set out in the FUCHS Code of Conduct and in other mandatory policies relevant to compliance. The prevention and detection of violations, and responding to these violations in an appropriate manner, are key components of the CMS.

Environmental concerns

Since signing the Code of Responsible Conduct for Business in 2010, FUCHS has systematically developed its sustainability activities. Besides making conservative use of natural resources, attention has increasingly focused on the topic of CO₂ emissions as well. The aim of guaranteeing living standards for future generations is a top priority for FUCHS. The company therefore pays attention to reducing emissions in research and production as well as in constructing new plants and extending existing ones.

A major milestone was reached in relation to the issue of carbon dioxide in the tenth year of FUCHS' sustainability efforts, namely making our production CO₂ neutral. Through a qualified calculation of the CO₂ footprint within FUCHS' immediate area of influence using the guidelines of the Greenhouse Gas Protocol, the precise amount of emissions within our factories was quantified. Given FUCHS' low vertical integration as a blender at the end of the process and value chain, the direct ecological footprint in lubricant manufacturing is relatively low. FUCHS there-

fore differs from the conventional chemical industry. Nevertheless, the goal is to continuously improve the ecological footprint through environmentally friendly production methods. FUCHS is therefore developing special technologies and investing in modern and safe facilities for lubricant production, and in continuous process optimization. The goal is to keep the energy and water consumption as well as the waste generation during the production process low or to further decrease them and to reduce the CO₂ emissions.

The measures taken so far to reduce the CO₂ footprint of FUCHS are not enough to ensure full CO₂ neutrality. For 2020 FUCHS has thus decided to offset the remaining CO₂ emissions through compensation measures. This will be done by investing in high-quality independently certified global climate protection projects, which predominantly encourage the expansion of renewable energies.

FUCHS follows the principle: avoid – reduce – compensate. Around 80% of FUCHS' CO₂ emissions are caused by the consumption of heat and electricity. Energy efficiency is therefore one important lever for avoiding or reducing CO₂ emissions. In the medium-term, FUCHS aims to successively reduce its CO₂ compensation payments and in return increase the proportion of renewable energy it uses while investing more in making its sites more energy efficient.

The products manufactured by FUCHS help to reduce friction and wear and to prevent corrosion in our customers' applications. High-quality product specifications can also make the application more efficient. By working closely with its customers, FUCHS develops and produces many lubricant products tailored directly to the respective application. To quantify the benefits of high-quality products, FUCHS works with project partners from the upstream process chain. By developing ecological assessments and life cycle assessments, the impact of lubricants over the entire value chain can be demonstrated.

The FUCHS production sites are located in designated industrial and commercial areas and are planned and operated according to Group-wide safety and environmental specifications, so that as few substances as possible that could impact biodiversity are released into the environment.

A key aspect of sustainability management is the certification of the FUCHS management systems in accordance with the relevant ISO standards. As of the end of 2019

- 65% of production locations are certified according to the ISO 14001 environmental management standard and
- six production locations in the region EMEA are certified according to the ISO 50001 energy management standard.

2.11 Combined non-financial declaration

In 2019, the focus in the area of certification was on expanding the certification required in the automotive sector according to IATF 16949. FUCHS successfully completed the certification according to this standard at six additional production sites.

FUCHS will also subsequently strive to move forward with certification of its production sites in accordance with the relevant ISO or IATF standards. For 2020, plans are in place to coordinate the global strategy regarding certification in accordance with the environmental and occupational safety standards ISO 14001, ISO 45001 and ISO 50001.

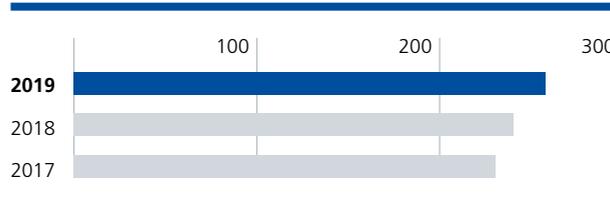
Key Performance Indicator (KPI) for CO₂ emissions

FUCHS is working on a better understanding of the portfolio-specific production processes and resource consumption of its sites on the one hand and on opportunities for further resource savings on the other. The reduction of CO₂ emissions caused by FUCHS successively converting to using energy from renewable resources and the fundamental reduction in energy consumption represents a new KPI for FUCHS.

Ecological indicators

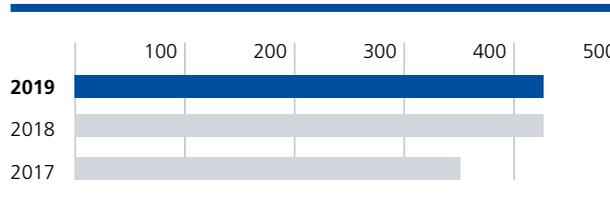
FUCHS is focusing on constantly optimizing its processes to steadily reduce the resources consumed in its production. Water consumption and waste generation per ton of lubricants produced were further slightly reduced in the past financial year. In contrast, energy consumption per ton produced increased in 2019. This was a result of, firstly, the adverse weather conditions in the US and Canada at the beginning of the year and, secondly, the construction of various new plants. Here, production processes,

Development of energy consumption
(in kilowatt hours per ton produced)



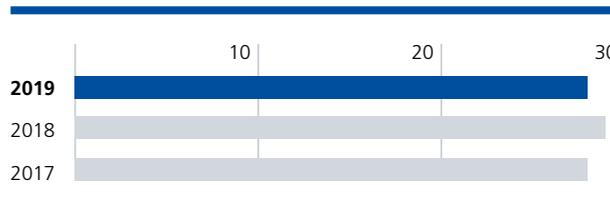
Basis: FUCHS production locations.

Development of water consumption
(in liter per ton produced)



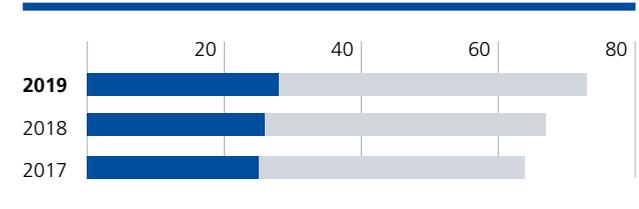
Basis: FUCHS production locations.

Waste generation
(in kilograms per ton produced)



Basis: FUCHS production locations.

CO₂ emissions
(in kilograms per ton produced)



■ Scope 1: Direct emissions through own energy generation.
■ Scope 2: Indirect emissions through purchased energy.
Basis: FUCHS production locations.

which consume energy but do not generate any production output in return, had to be tested for some time. This resulted in higher energy-specific CO₂ emissions.

Employee concerns

Work safety is of great importance to FUCHS. The company is subject to various national and international regulations on occupational health and safety at our different locations. The respective applicable occupational health and safety provisions form the minimum standard for the entrepreneurial measures to be implemented. All FUCHS employees have been informed of the laws, regulations and internal occupational health and safety guidelines relevant to them and are instructed to comply with them. In particular, it is important to make employees more vigilant and aware of safety as an issue, to keep their eyes open for potential dangers in everyday life and in familiar situations, both in employees' own interests and in the interests of their colleagues. Suggestions for improvement in terms of health and safety from employees are encouraged.

2.11 Combined non-financial declaration

At the end of 2019 40% of the production locations were certified according to the OHSAS 18001 Occupational Health and Safety Management System. Certificates in accordance with OHSAS 18001 may only be issued until March 11, 2021. Thereafter, only certification of health and safety at work in accordance with the new ISO standard 45001 "Occupational Health and Safety Management Systems" published in March 2018 is still possible. FUCHS has decided to strive for new certifications only in accordance with the new ISO standard 45001. Since the requirements are more extensive than those of the previous OSHAS 18001 standard, the aim is to increase the proportion of certified production sites to 50% in the next two years.

To FUCHS, a responsible HR policy means equal opportunities and strictly prohibiting discrimination. FUCHS supports the International Labor Organization's Declaration on Fundamental Principles. These include freedom of association, the right to collective bargaining, the elimination and prohibition of forced and child labor and the prohibition of discrimination in employment and occupation. FUCHS does not tolerate any form of discrimination and within the framework of the respective statutory provisions, is committed to upholding the principles of equal opportunities when hiring and promoting employees. Furthermore, we respect employees' rights to equal treatment, regardless of race and nationality, religion and belief, gender and sexual orientation, political or trade union activity, age, illness or disability, or other personal characteristics. FUCHS ensures a non-discriminatory work-

ing environment and actively promotes the various aspects of diversity. The integration of different nationalities is a matter of course for the company. As part of globalization, internal colleagues from the sites are increasingly motivated to apply for vacancies abroad. FUCHS takes into account peoples' disabilities and creates an environment in which they can use their skills in the business.

Since its establishment, FUCHS PETROLUB SE has been part of an initiative of German economic leaders that presented a Code of Responsible Conduct for Business under the patronage of the Wittenberg Center for Global Ethics. As a subscriber to the model, the Executive Board is committed to a success-driven and value-oriented system of corporate governance in the sense of the social market economy. This includes fair competition, social partnership, the performance principle and sustainability.

Sustainable personnel policy

As part of our sustainable personnel management, we have further expanded our projects in the fields of health management, continuing professional development and work-life balance and, in some cases, have assigned them a thematic focus. We are systematically pursuing the goal of striking a balance between the business interests of FUCHS and the private and family needs of our employees. FUCHS accordingly places great emphasis on helping employees combine a career with a family. Flexible working time models are an important part of this. In addition to typical flextime models, part-time options are also avail-

able, ranging from 15 to 32 hours per week, which can also involve job-sharing or shift work. The establishment of rules for working from home also allows people more space in determining how they work. The increasing shortage of specialists means that it is vital for us to persuade young parents, in particular, to return to work quickly. Subsidized child care and the bridging of holiday periods, through subsidized holiday programs for example, are therefore common within the company. More and more young fathers also wish to spend precious time with their children and therefore take parental leave. We facilitate this by offering part-time working during parental leave, for instance. This allows the company to retain knowledge and expertise while, at the same time, allowing fathers to spend more time with their families. We are continually examining ways in which we can further develop family-oriented options to cater more effectively to the various life phases of our employees.

Occupational health management now includes training in areas such as load handling, skin protection and ergonomics at computer workstations as a matter of course. Furthermore, at the site in Mannheim, for example regular programs for the early detection of colon cancer, addiction prevention and healthy eating are offered. As part of health management, there was a theme day focused on stress reduction, resilience and providing information on a vast range of health campaigns in 2019. We encourage initiatives from employees to play a variety of sports together and also set up collaborations with fitness studios.

Social indicators

The age structure and average length of service have remained constant. While fluctuation decreased compared with the previous year, the number of days lost remained constant. → [# Social indicators](#)

Staff development

Alongside vocational training, needs-driven continuing professional development remains the foundation for developing specialist personnel and high potentials. To meet these needs in future more specifically and in a more forward-looking manner, work started on the establishment of a structured, global personnel development program in 2019. The starting point was a discussion between management and HR as to what a global personnel development strategy should look like. As part of general professional development, topics such as the Code of Conduct, Compliance and IT tools through to specific, FUCHS-internal knowledge were offered in addition to basic technical subjects relating to lubricants.

With the help of the e-learning strategy that has also been set up, the offer can be expanded across borders and time zones in future.

Traditional classroom training will still be offered by the FUCHS ACADEMY in future. As a global training institution, the FUCHS ACADEMY regularly offers seminars on a wide range of technical subjects and provides our sales

Social indicators

	2019	2018	2017
Average age of employees in years	43	43	43
Age structure of employees in %			
< 30 years	15	16	16
31 to 40 years	29	28	28
41 to 50 years	27	28	28
> 50 years	29	28	28
Average length of service of employees in years	10	10	10
Employee fluctuation ¹ in %	4.2	4.7	4.1
Work-related accidents ² per 1,000 employees	13	15	16
Days lost due to sickness per employee	8	8	7
Proportion of women in management positions in %	22	22	22
Average further training and education per employee in hours	13	14	15

¹ Share of employees leaving the company voluntarily.

² Number of accidents with more than three absence days.

experts, for instance, with a sound background knowledge of our products and their applications. The FUCHS ACADEMY is also a very popular learning platform for junior staff and employees with high potential, which helps to secure the continuous and targeted further development of our employees. In 2019, a new concept was drawn up for executive training, which covers the aspects of our journey within FUCHS2025 (strategy, culture, structure) even more effectively and aims to make newly promoted managers and those recruited from outside even more familiar with their management responsibilities.

In light of the global structure of our organization, intercultural competence is a key success factor for our staff. We promote this by sending our employees on assignments around the world. This not only applies to the targeted posting of technical and managerial staff to FUCHS subsidiaries but also to students doing dual training and interns.

The aforementioned measures are complemented by language courses. We thus ensure that English, the Group language, forms a reliable basis for the exchange of know-how. Furthermore, internal training at FUCHS guarantees

the optimal transfer of expertise to new employees. In the area of onboarding of new employees, an initial concept was also developed in order to give new employees at all locations throughout the world using virtual training sessions and information a better understanding of the fact that they are part of a globally active group in the sense of "ACT GLOBAL".

We consider mixed management teams to be an effective way of significantly strengthening our company. For this reason, we also place particular emphasis on the dedicated support of women and ensure that appropriate consideration is given to them when filling management positions in the company. Currently, women account for 25% of the total workforce. The share of women in management positions was constant at 22% (22).

KPI for professional development

FUCHS has set itself the goal of investing significantly in the establishment and development of employee skills. A KPI for long-term professional development has therefore been adopted. Professional development hours per employee are expected to be systematically recorded worldwide in future. The aim is to move the topic of professional development further up the agenda and focus on it. In addition to the statistics that were previously usually compiled locally, in future, professional development is to be reported and tracked through consistent reporting chan-

nels and clearly comprehensible definitions in a standard global structure. Through KPI-based tracking, we shall make professional development activities more transparent, making it easier to identify areas where improvement is required. Having introduced the foundations, we shall draw up an annual analysis of target achievement based on demanding medium-term targets.

Social concerns

For FUCHS, social acceptance is a key requirement for economic success. Many of our Group companies have deep roots in their regions. The company sees itself as a partner in these regions, and takes part in educational and cultural initiatives and cooperations. FUCHS also supports a number of social projects and charitable organizations. Further information can be found in the Sustainability Report. → www.fuchs.com/sustainabilityreport

Respect for human rights

For FUCHS, respect for human rights is a key component of its business ethics. It is the basis of all its business activities and therefore also includes relationships with customers and other business partners as a matter of course. The Code of Conduct is a material expression of this common understanding at FUCHS. The signing of the Modern Slavery Act Statement in the UK underscores FUCHS' determination to prevent the criminal exploitation of human labor, for instance in the form of human trafficking, forced

and child labor or slavery, beyond its own operations and in its supply chain as well. FUCHS ensures respect for human rights in the upstream value chain at its suppliers by means of contractual agreements, self-regulatory declarations by the supplier and on-site audits.

Combating corruption and bribery

In competition, FUCHS relies on the quality and intrinsic value of its products and services. The FUCHS Code of Conduct contains obligatory guidelines for the prevention of all types of corrupt behavior and supporting all employees in observing the laws and regulations for the prevention of corruption and bribery. It aims to ensure that neither employees of FUCHS nor business partners or officials allow themselves to be influenced by unlawful and inappropriate conduct in their business decisions.

Compliance management system (CMS)

FUCHS has set up a CMS that comprises the entire Group. Important components of the CMS are the provision and dissemination of a suitable compliance culture by the Executive Board of FUCHS PETROLUB SE and the managers of the FUCHS Group, the Group-wide compliance organization and a compliance program geared to adequate and efficient measures, e.g. in the form of training courses, information events, an information platform for employees and business partners and other measures derived from the guidelines. The Principles for the Proper Performance

of Reasonable Assurance Engagements Relating to compliance management systems (IDW PS 980) are a point of reference for the design of the FUCHS CMS.

The company's compliance organization has developed various goals which should be achieved with the Group's CMS based on the general company targets adopted by the Executive Board and taking into account the regulations which are particularly important for the company: At FUCHS, one of the primary goals of the CMS is the prevention, detection and sanctioning of violations of the law, including corruption and bribery.

FUCHS has implemented a centralized and decentralized compliance organizational structure. Parts of the centralized organization are the Chief Compliance Officer (CCO) and the Group Compliance Committee (GCC). The decentralized compliance organization is represented by the Local Compliance Officer (LCO) appointed in each Group company and the Regional Compliance Officer (RCO) appointed for the first time in the reporting year. The CCO communicates the compliance targets determined by the Executive Board and the relevant compliance topics to all Group's managers and employees and works with the GCC to ensure they are implemented.

The Executive Board monitors and examines the quality of the CMS on an ongoing basis, decides how to deal with

the findings from the risk analyses and the compliance investigations and regularly consults the Supervisory Board about this, developing it further and ensuring that any weaknesses determined in the CMS are eradicated through appropriate measures. These measures can include both procedural and organizational adjustments to the CMS. Violations of compliance requirements threaten key success factors for FUCHS and are not tolerated. Potential compliance violations are identified and cleared up as part of the defined compliance process. All employees are required to notify potential compliance violations. Any violations determined are appropriately sanctioned, whereby the specific sanction depends on factors including their nature, gravity, duration and the degree of fault. Sanctions can be imposed in the whole range permitted by law, including extraordinary termination of employment, claim for damages and criminal charges.

KPI for Compliance

The most important measure for securing a functioning CMS and eliminating any deficiencies is that employees are informed of the relevant compliance issues and these are explained to them. To manage the functionality and adequacy of the CMS, from the financial year 2020 FUCHS uses the Enlightenment Performance Indicator (EPI) to measure the extent to which employees are informed about the compliance fields of relevance to them. The EPI provides information as to whether and to what extent

employees have received the training sessions they need and information on the compliance fields of relevance to them and have understood them by means of tests. The number of compliance training courses and training sessions as well as other written and verbal information made available to employees are primarily included in the measurement. The aim is to enlighten all the company's employees about the compliance fields of relevance to them in each case. Besides basic training sessions on compliance, training in the compliance fields prevention of corruption and compliance with anti-trust law is also paramount. The EPI is both in the form of an employee survey and by determining the number of e-learning training sessions undertaken by the respective target groups and other compliance training sessions.

A further measure is the continuous performance of compliance risk analyses on which basis any need to amend the CMS is identified. A business-related risk assessment of the relevant compliance areas up to the level of the individual Group company is the basis for the regular analysis of compliance risks. The results of the risk analyses are consolidated into a risk portfolio for the entire FUCHS Group. Specific weighting factors, such as the Corruption Perception Index (CPI), published by Transparency International Deutschland e.V., are taken into account. This indicates that the main risk areas for the CMS include the risks of violations against anti-trust law and against the prohibitions of corruption and bribery.

When integrating newly acquired companies and businesses into the FUCHS CMS, the objective is to integrate the acquisitions as quickly as possible into the compliance processes relevant to them and the company's risk evaluation.

The Internal Audit sector reviews the functionality and adequacy of the CMS, both in the form of regular and ad-hoc revisions.

Further information on the CMS can be found in the Corporate Governance section.

→ [70 Corporate Governance](#)

Supply chain

For the production of lubricants the use of complex chemical and renewable raw materials as well as a vast range of base fluids is required to produce lubricants. For FUCHS, the process therefore begins with the purchase of raw materials as a sub-process within an extensive value chain. FUCHS ensures that only raw materials that comply with all EHS regulations (environmental, health and safety) are

used. Parallel to this, FUCHS invests in alternative raw material solutions that help to protect the environment and resources.

For FUCHS, raw materials are the most important element in the formulation of products. A carefully monitored and administered raw materials portfolio ensures that the marketable products are always available in consistently good.

Raw materials procurement is organized centrally as well as locally at FUCHS. FUCHS manages its strategically most important suppliers with its central lead buyer concept, while the suppliers that are solely relevant to the respective local companies are managed by the local procurement officers.

A continuous supply of raw materials and the prevention of procurement risks are guaranteed by a broad base and a structured search for alternative suppliers. Technical working groups assist procurement officers in validating alternative sources of raw material to rule out single supply scenarios.

Given the strategic importance of key suppliers to the continuous availability of necessary raw materials, FUCHS actively manages the relationship with the suppliers. The centrally managed FUCHS suppliers are assessed and systematically evaluated each year in the global supplier evaluation based on various criteria. In the event of any deficits in the fulfillment of these criteria, suppliers are issued with specific action plans and implementation deadlines. The criteria to be assessed are quality, business relations, technical aspects, pricing, order and delivery management as well as sustainability aspects.

At FUCHS, the majority of greenhouse gases are not produced within the company's own and therefore directly controllable premises, but rather in the upstream supply chain. FUCHS therefore aims to contribute to the continuous improvement of ecological sustainability in the value chain through cooperation with strategic suppliers and to work only with those suppliers who have also committed themselves to this objective. That not only applies in relation to resource efficiency and environmental standards, but also with the aim of increasing the amount of environmentally friendly raw materials in our own production processes.

Therefore, even greater emphasis is placed on the CO₂ footprint of raw materials supplied to FUCHS in the current supplier assessment than in previous years. Accordingly suppliers are to be made more aware of the issue of CO₂ emissions and encouraged to collaborate along the entire value chain.

This approach leads to the establishment of selected sustainable projects based on partnership. In these projects, FUCHS is working with its suppliers to quantify ecological sustainability in its lubricants portfolio. The expectation of the company is that the change from a qualitative to a quantitative assessment of ecological sustainability will bring significant progress in terms of environmental properties and that appropriate categorization will be a future specification component for FUCHS lubricants.

Furthermore, FUCHS is working on making its suppliers accountable for key criteria of ethical conduct, such as labor standards, a ban on child labor, bans on discrimination and compliance. In this way, FUCHS wants to fulfill its special responsibility as a leading independent lubricants company.

2.12 Corporate Governance

In the following chapter, the Executive Board and the Supervisory Board report on corporate governance at FUCHS PETROLUB SE in accordance with number 3.10 of the German Corporate Governance Code (Code) and Sections 289f and 315d of the German Commercial Code (HGB) on the working practices of the Executive Board and the Supervisory Board, as well as the composition and working practices of the Supervisory Board committees.

FUCHS PETROLUB SE bases its corporate governance on the provisions of the German Stock Corporation Act (AktG), the SE Regulation and the regulations of the Code. The Code contains recommendations and suggestions for managing and monitoring listed companies and also formulates both nationally and internationally recognized standards for sound and responsible corporate governance.

FUCHS sees corporate governance as a central prerequisite for achieving its company targets and increasing enterprise value. In particular, sound and responsible management and monitoring geared towards sustainable value added processes include:

- close and trusting cooperation between the Executive Board and the Supervisory Board,
- respect for shareholders' interests,
- open corporate communication,
- transparency in accounting,

- responsible handling of risks and opportunities and
- sustainable business activities.

Effective and transparent corporate governance plays an important part at FUCHS in how it sees itself, and is a standard that covers all departments and divisions within the company. It is an essential foundation for business success at FUCHS. Investors, financial markets, business partners, employees and the general public put their trust in FUCHS with respect to its corporate conduct. FUCHS is keen to confirm this trust in the long-term, and also to develop corporate governance continuously within the Group.

In March 2019, the Executive Board and Supervisory Board of FUCHS PETROLUB SE focused in detail on the recommendations and suggestions of the Code in the course of adopting the corporate governance report. In addition, items of referrals in other meetings included the topics Executive Board remuneration, compliance management system and its development as well as reviewing the efficiency of the work of the Supervisory Board in accordance with number 5.6 of the Code. On December 16, 2019, the Executive Board and the Supervisory Board together approved the updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and immediately made this available to shareholders on the company's website – together with the declarations of the previous years.

Declaration of Corporate Governance

Management and control structure – working practices of the Executive Board and the Supervisory Board

As a European corporation (Societas Europaea – “SE”), FUCHS PETROLUB SE, with its registered office in Mannheim, is subject in particular to the provisions of the SE Regulation and of the German Stock Corporation Act (AktG). In accordance with the requirements of German stock corporation law, FUCHS has a two-tier board system with the separation of personnel between the Executive Board as a management body and the Supervisory Board as a monitoring and advisory body, each of which has its own independent responsibilities. Sound corporate governance requires the ongoing development of this two-tier board system, with all divisions being included.

The Supervisory Board has adopted rules of procedure and an allocation of responsibilities for the work of the Executive Board. These govern the work and the allocation of responsibilities of the Executive Board members. The rules of procedure contain regulations on the Executive Board's obligations to keep the Supervisory Board informed. In accordance with recommendation number 3.3 of the Code, the Supervisory Board has also stipulated the need for the approval of the Supervisory Board for certain business processes – such as setting the investment budget or larger acquisitions.

Corporate Management by the Executive Board

The Executive Board manages the company on its own responsibility. As a management body, it has a commitment to the company's interests and to increasing the companies' enterprise value in the long term. In so doing, the members of the Executive Board are jointly responsible for all management activities. Notwithstanding the overall responsibility of the Executive Board, the individual members of the Executive Board also manage the divisions assigned to them under their own responsibility within the scope of Executive Boards resolutions.

In particular, the Executive Board makes decisions on corporate strategy, business policy, and annual and multi-year planning. The Executive Board ensures appropriate risk and opportunity management and risk controlling as well as providing an appropriate compliance management system to ensure compliance with legal provisions, official regulations and internal policies (compliance).

Attention is paid to diversity and the appropriate participation of women when filling management positions in the company.

The composition of the Executive Board and the allocation of duties within the Executive Board (organization of responsibilities, regions and divisions) are shown in detail in the section on organization. → [8 Organization](#)
The main features of the remuneration system and the individual remuneration of members of the Executive Board are described in the compensation report.

→ [77 Compensation report](#)

The Supervisory Board is responsible for appointing the Executive Board in accordance with Section 84 AktG. Together with the Executive Board, the Supervisory Board ensures long-term succession planning and receives reports on the respective status of planning and implementation of the criteria specified therein. The Supervisory Board has assigned responsibility for preparing decisions to the Personnel Committee. The number of Executive Board members is based on the requirements resulting from the business and the division of work in the Executive Board. The Executive Board of FUCHS PETROLUB SE consists of five members. Initial appointments of members of the Executive Board are generally not for more than three years.

As a global innovation-driven company in the lubricants industry, FUCHS PETROLUB SE's systematic management development and long-term succession planning for the Executive Board pays attention to

- the early identification of suitable candidates of different disciplines as well as taking account of varied professional and personal experience,
- proven strategic and operating creative drive, and
- a proven role model function as a manager in the implementation of the FUCHS mission statement.

However, the crucial factor for appointment to the Executive Board at FUCHS PETROLUB SE consists in the assessment of the professional and personal qualifications. The current composition of the Executive Board ensures comprehensive compliance with the duties required of the executive board of a listed company.

To that end, FUCHS ensures that the Executive Board as a whole has the following profile in line with a diversity concept:

- years of experience in scientific, technical and commercial areas
- appropriate international experience due to background or professional activity
- at least one female member of the Executive Board (target until December 12, 2021: one female member) and
- balanced age structure.

In accordance with number 5.1.2 (2) of the Code, the Supervisory Board has set an age limit of 65 years for Executive Board members.

Monitoring and advising of the corporate management by the Supervisory Board

The Supervisory Board appoints the members of the Executive Board and both advises and monitors the Executive Board in its management of the company. It is included in strategy and planning, and in all issues of fundamental importance for the company. The Chairmen of the Executive Board and of the Supervisory Board of FUCHS PETROLUB SE regularly exchange information. The continuous dialog between the Executive Board and the Supervisory Board, which is based on mutual trust, forms an important foundation for FUCHS' success.

The Supervisory Board reaches its decisions through resolutions, which are passed by a simple majority of those members of the Supervisory Board participating in the vote.

In the event of a tied vote, the Chairman has the casting vote.

The Supervisory Board of FUCHS PETROLUB SE consists of six members. Of these, the shareholders elect four members in the Annual General Meeting. The European Works Council (SE Works Council) and the representatives of the company's European employees elect two members. If necessary, separate preliminary meetings of the employer representatives and employee representatives take place in accordance with number 3.6 of the Code and the Supervisory Board meets without the Executive Board.

The Supervisory Board is composed of people, who ensure compliance with the duties of a listed company, in particular providing qualified advice to the Executive Board and performing the Supervisory Board's monitoring duties. The members of the Supervisory Board meet the requirements of number 5.4.1 of the Code. On the basis of their expertise and practical experience, integrity, motivation, independence and personality, they are capable of performing their duties in an international group operating in the lubricants industry and preserving the reputation of the FUCHS Group in public. The Supervisory Board has, in accordance with recommendation number 5.4.1 (2) of the Code, set specific targets for its composition and regularly focuses on the issue of long-term succession planning, most recently in its meeting on December 16, 2019. In this meeting, the Supervisory Board also adopted amended rules of procedure for the Board.

In accordance with the criteria decided by the Supervisory Board, the Supervisory Board as a whole must

- be familiar with the lubricants sector and its value chains,
- have the required knowledge, skills and specialist experience, which refer in particular to the management of an international company,
- have appropriate knowledge of finance, financial reporting, accounting, legal matters and compliance in addition to a member with expertise in accounting and auditing (financial expert),
- feature experience in innovation, research and development, technology, start-ups and
- possess experience in the areas of human resources, society, communication, IT, digitalization and business models.

With the objective of maximum benefit for the company, the Supervisory Board is striving for sufficient diversity among the shareholder representatives in terms of character, in particular gender, internationality, professional backgrounds, specialist knowledge and experience, age distribution and independence as follows:

- at least 30 % women or men (target for female members until December 12, 2021: 17 %)
- at least 50 % different education and professional experience
- at least 50 % international experience due to background or profession
- at least 30 % independent members

Furthermore, members of the shareholder representatives should not be over 75 years old at the time they are elected and in accordance with recommendation number 5.4.1 (2) of the Code, should not be a member of the Supervisory Board of FUCHS PETROLUB SE for longer than 15 years, whereby the rules of procedure stipulate a membership period of not more than twelve years as a guide for assessing the criterion of independence.

Corporate co-determination at FUCHS PETROLUB SE in accordance with the agreement on the involvement of employees contributes to diversity in terms of professional experience and cultural background. Employee representatives for the Supervisory Board are appointed and elected in accordance with the provisions of laws on the participation of employees in a European Company through the autonomous decision of the employees.

All the criteria of the diversity concept have been met at FUCHS.

In the Supervisory Board's opinion, five of the six members listed on page 142 and therefore an appropriate proportion of the members are independent within the meaning of recommendation number 5.4.2 of the Code. Dr. Susanne Fuchs is not considered independent as she has a personal relationship with the company and its Executive Board, and because she holds an appreciable number of shares in the company.

The term in office of the Supervisory Board is five years. The next term in office starts on May 5, 2020, following the end of the Annual General Meeting.

Target figures for women in management positions

In compliance with the law on equal participation of women and men in management positions in the private and public sector, the Supervisory Board has specified the following minimum target figures for the share or number of women on the Executive Board and the Supervisory Board until December 12, 2021:

- female members on the Supervisory Board: 17%
- one female member on the Executive Board.

The aforementioned target figures are met or exceeded.

The Executive Board has defined the two management levels of FUCHS PETROLUB SE below the Executive Board as follows: The first management level comprises the members of the Group Management Committee and the division leaders within FUCHS PETROLUB SE; the second management level is made up of the department heads of FUCHS PETROLUB SE. The Executive Board has specified target figures for the percentage of women at these management levels as 10% and 30% respectively, each valid until December 12, 2021. The target for the percentage of women at the first management level was exceeded with 19% as of the end of 2019; the target for the percentage of women at the second management level was reached (31%).

In accordance with number 5.4.5 (2) of the Code, FUCHS PETROLUB SE will assume appropriate costs incurred by members of the Supervisory Board for training undertaken because of their work for the Supervisory Board. Members

of the Supervisory Board appointed for the first time are given a structured introduction to their work.

Committees of the Supervisory Board

In accordance with the recommendations of number 5.3 of the Code, the Supervisory Board at FUCHS PETROLUB SE has formed qualified committees – an Audit Committee, a Personnel Committee and a Nomination Committee – which prepare and also supplement its work. The committees contribute to the Supervisory Board working efficiently.

The Personnel Committee and the Audit Committee usually meet several times a year, while the Nomination Committee convenes for meetings when necessary based on its allocation of duties. The Personnel Committee focuses on personnel matters in the Executive Board.

In accordance with number 5.3.2 of the Code, the key tasks of the Audit Committee include monitoring the accounting process, examining the effectiveness of the internal control system, the risk management and internal audit system and the audit of the financial statements by the statutory auditor and compliance. The respective chairs of the committees regularly report to the Supervisory Board on the work of the committees. The Chair of the Audit Committee and the auditor also exchange information outside the meetings. In addition, the Audit Committee and Executive Board also discuss the interim reports and financial reports to be published on the capital markets in advance.

The composition of the Supervisory Board and its committees, participation in meetings, and the details on its work in the reporting year are presented in the report of the Supervisory Board.

→ [10 Report of the Supervisory Board](#)

The main features of the remuneration system and the individual remuneration of members of the Supervisory Board are described in the compensation report.

→ [77 Compensation report](#)

Shareholders and the Annual General Meeting

FUCHS PETROLUB SE has issued both ordinary and preference shares. The holders of ordinary shares represented at the Annual General Meeting pass resolutions on all matters assigned to the Annual General Meeting by law, such as the appropriation of earnings, amendments to the Articles of Association, the election of members of the Supervisory Board, approval of the actions of the Executive Board and the Supervisory Board and the election of the auditor. Each ordinary share grants the holder one vote. The Schutzgemeinschaft Familie Fuchs holds around 55% of the ordinary shares, while the preference shares only grant voting rights in the cases prescribed by law. However preference shares grant the holders a preference right on the distribution of unappropriated profit and entitle them to an increased (preference) dividend.

The holders of ordinary and preference shares exercise their co-determination and control rights at the Annual General Meeting held at least once a year. In compliance with the legal conditions and those of the Articles of

Association, every shareholder is entitled to participate in the Annual General Meeting. Shareholders who do not attend the Annual General Meeting in person can have their voting right exercised by a voting representative (proxy), such as a bank, a shareholders' association as well as in accordance with number 2.3.2 of the Code, a voting representative appointed by the company, by granting an appropriate power of attorney.

The reports, documents and information, including the annual report, required by the German Stock Corporation Act (AktG) to be submitted for annual general meetings are available on the Internet, where the agenda of the Annual General Meeting and any counter-motions or nominations by shareholders to be made public can also be found. In accordance with number 2.3.3 of the Code, shareholders of FUCHS PETROLUB SE can follow parts of the Annual General Meeting on the Internet.

Compliance

The company understands compliance to mean observing rights, laws and the company's Articles of Association, adherence to internal rules and making voluntary personal commitments. Unlawful conduct harbors the risk of damaging the company's image, weakening its market position or even causing financial harm. Without exception, management and employees are required to observe laws,

directives and social standards applicable to them within the scope of their duties.

FUCHS has set up a compliance management system (CMS) for the prevention of the aforementioned dangers and damages. The FUCHS Code of Conduct as well as the compliance guidelines for complying with rules on competition in particular, and on preventing money laundering, corruption and venality are essential foundations of the CMS. The Code of Conduct and the compliance guidelines form a binding framework for FUCHS to ensure lawful and social-ethical conduct. They are supplemented by varied information and training activities, a compliance risk management system, a whistleblower portal including a compliance hotline for reporting illegal conduct, the systematic processing and appropriate sanctioning of compliance violations, regular compliance reporting to the Executive Board and Supervisory Board and compliance audits performed by Internal Audit.

The CMS is implemented by a Group-wide compliance organization, overall responsibility for which lies with the Chief Financial Officer (CFO). The Chief Compliance Officer (CCO) appointed by the Executive Board manages the CMS globally with the Group Compliance Committee (GCC) and other both regionally (RCOs) and locally (LCOs) appointed Compliance Officers and supports and advises

employees. The CCO is also responsible for developing the CMS to take account of all topics of relevance for compliance. In addition to the CCO, the managers with overall responsibility for Human Resources and Internal Audit are also members of the GCC. The GCC works out the strategic focus of the compliance organization on the basis of its own rules of procedure, supports the CCO and comprehensively bundles the expertise within the company. In addition, the GCC ensures the sharing of information between the central group and specialist departments that mainly deal with compliance topics, monitors the processing and investigation of events relevant to compliance and arranges for appropriate sanctions in the event of compliance violations. The RCOs are using the compliance strategy at regional level and deal with all compliance incidents within the respective responsibility with the help of an electronic case handling program. The digital whistleblower portal gives all employees as well as all business partners the chance to initiate a dialog with the compliance organization, while remaining anonymous if so desired. As a result, weaknesses can be identified and the CMS can be further developed from the findings gained. All employees are explicitly required to immediately report conduct and incidents relevant to compliance to the responsible offices.

Corporate governance policies

The Articles of Association of FUCHS PETROLUB SE, the FUCHS Code of Conduct, the Declaration of Corporate Governance and further corporate governance documents, such as the Anti-Corruption Directive, the Anti-Trust Directive or the FUCHS Sustainability Guideline, are available on the company's website. In accordance with number 3.10 of the Code the company makes Declarations of Compliance available on its website for five years.

→ www.fuchs.com/group/declaration-of-compliance

Commitment to sustainable, success-driven and value-oriented corporate governance

The terms trust, creating value, respect, reliability and integrity form the core values of the FUCHS Code of Conduct and accordingly shape the company's mission statement for good corporate governance. This mission statement expresses a common attitude on the part of the management levels and provides a clear guideline for acting responsibly. The core values apply to the FUCHS Group as a benchmark for internal objectives and form the basis for individual actions.

Good corporate governance also includes the adoption of sustainable business principles. FUCHS has summarized its basic principles for sustainable activities in a comprehensive Sustainability Guideline. Further information on sustainability is provided in the combined non-financial declaration and the Sustainability Report.

→ [61 Combined non-financial declaration](#)

→ www.fuchs.com/sustainabilityreport

Opportunity and risk management

Sound corporate governance also includes the responsible handling of opportunities and risks. The Executive Board ensures appropriate opportunity and risk management in the company. The Executive Board and the Supervisory Board regularly discuss existing opportunities and risks, changes therein and the measures to be taken. The internal control system, the risk management system and the internal audit system are developed on an ongoing basis and adapted to a changing framework. Details on this can be found in the report on opportunities and risks.

→ [45 Opportunity and risk report](#)

High transparency through comprehensive information

In accordance with number 6.1 (1) of the Code, FUCHS PETROLUB SE keeps capital market participants updated on the economic situation of the Group and key events through regular, prompt, uniform and comprehensive information. This reporting takes the form of the annual report, half-year financial reports and interim reports. Furthermore, FUCHS PETROLUB SE also provides information by press releases and ad hoc disclosures. All information can be viewed on the Internet at → www.fuchs.com/group. The website also features a financial calendar showing all major events and publications.

Reportable managers' transactions are also published there. → www.fuchs.com/directorsdealings

The Executive Board and the Supervisory Board are committed to the interests of the company. In making their decisions, they must not pursue any personal interests or business opportunities available to the company for their own personal gain. In accordance with recommendation number 4.3.3 of the Code, the rules of the procedure of the Executive Board regulates its obligation to disclose possible conflicts of interest to the Supervisory Board. There were no conflicts of interest in the reporting year.

Accounting and audit

The consolidated financial statements and half-year financial report of FUCHS PETROLUB SE are prepared in accordance with the International Financial Reporting Standards (IFRS). The statutory annual financial statements, which are relevant for the distribution of dividends, are prepared by FUCHS PETROLUB SE in accordance with the provisions of the German Commercial Code (HGB). After being prepared by the Executive Board, the auditor elected by the Annual General Meeting audits the annual and consolidated financial statements together with the combined management report. Having subsequently reviewed the annual financial statements itself, the Supervisory Board approves them. In accordance with recommendation number 7.1.4 of the Code, the consolidated financial statements explain relationships with shareholders, who qualify as related parties for the purposes of the applicable accounting standards.

→ [140 Relationships with related parties](#)

The Supervisory Board has agreed with the auditor, in accordance with number 7.2.1 of the Code, that the auditor will inform the Chairman of the Audit Committee immediately of any issues identified during the audit that might give rise to grounds for exclusion or bias in the auditor's report, unless these issues can be resolved immediately. In accordance with recommendation number 7.2.3 of the Code, the auditor shall also report immediately on all findings or conclusions significant to the duties of the Supervisory Board that emerge in performing the audit. The auditor must also inform the Supervisory Board if he detects any facts while performing the audit that suggest any part of the Declaration of Compliance submitted by the Executive Board and Supervisory Board in accordance with Section 161 AktG is inaccurate.

Information on the auditor

Following the proposal of the Supervisory Board, the Annual General Meeting on May 7, 2019, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as auditor of the annual and consolidated financial statements of FUCHS PETROLUB SE for the financial year 2019. The responsible auditor is Mr. Dirk Fischer.

Declaration of the Board of Directors and the Supervisory Board of FUCHS PETROLUB SE concerning the recommendations by the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 of the German Stock Corporation Act (AktG)

On December 16, 2019, the Board of Directors and the Supervisory Board of FUCHS PETROLUB SE agreed to issue the following declaration of compliance:

Since issuing its last declaration of compliance on December 10, 2018, FUCHS PETROLUB SE has complied with all

recommendations set forth in the German Corporate Governance Code dated February 7, 2017, i.e. its version published in the official section of the Federal Gazette (Bundesanzeiger) on April 24, 2017 by the German Ministry of Justice, and intends to continue complying with these recommendations without exception in the future.

Mannheim, December 16, 2019

Dr. Kurt Bock

Chairman of the
Supervisory Board

Stefan Fuchs

Chairman of the
Executive Board

The declaration of compliance is available on the company's website at:

→ www.fuchs.com/declaration-of-compliance

Compensation report

The compensation report describes the main features of the compensation system and the individual compensation for the members of the Executive Board and Supervisory Board.

Compensation for members of the Executive Board

Relevant for the compensation of the members of the Executive Board is largely based on the following criteria:

- duties of the individual board member,
- performance of the entire Executive Board,
- economic situation of the company,
- success and future perspectives of the company,
- reasonableness of the compensation, taking into account comparable external and internal data

Total compensation comprises non-performance-based annual fixed compensation, performance-related variable compensation comprising a Short-Term-Incentive (STI) and a Long-Term-Incentive (LTI) as well as additional benefits and pension commitments.

Annual fixed compensation is based on the full year and paid out in monthly amounts. It is regularly reviewed by the Supervisory Board and adjusted if necessary. Additional benefits comprise remuneration in kind, which essentially comprises the use of a company car and payment of insurance premiums.

The performance-related compensation components are aligned with FUCHS Value Added (FVA) → [43 FVA performance indicator](#), which forms the basis for variable compensation throughout the Group. As a KPI for value-oriented corporate control, the FVA links profit to capital employed and is based on long-term decisions regarding investments, research and development and personnel development, among other things. Sustainable economic success as a parameter for compensation has been and remains at the heart of the management philosophy in place at FUCHS.

The performance of the Executive Board is determined by the Supervisory Board on the basis of the level of attainment of long-term targets geared toward sustainable company success. These targets are guided by the strategic guidelines at FUCHS and relate to the entire Executive Board. The variable compensation component, which is based on the FVA, is therefore extended to include a performance factor that places emphasis on the need for a multi-year assessment basis and ranges between 0.75 and 1.25 (variable compensation = FVA x performance factor). Besides profitable growth and efficient cash management, the performance factor takes account of technical expertise and therewith the continuing penetration of markets with specialty lubricants. Other aspects are compliance with good corporate governance and the establishment and development of a sustainability concept.

The variable compensation component is made up of a one-year component (STI) and a multi-year component (LTI) in a 50/50 split. 50% of the amount attributable to the LTI must be invested by the respective Executive Board member – as an obligatory personal investment – in FUCHS

preference shares with a three-year lock-up period. In this period, the shares are exposed to all the risks and rewards of capital market performance.

The pension commitments for Executive Board members appointed before January 1, 2016, equal a percentage of the average fixed compensation of the last three years before the termination of the contract of employment. This percentage does not exceed 40% and increases successively with the duration of service of the Executive Board member. From January 1, 2016, there are pension provisions in place for new members of the Executive Board via the Allianz provident fund. Executive Board members are entitled to receive a regular pension if their Executive Board contract ends with or after completion of their 65th year of age.

If Executive Board employment is terminated prematurely without cause, in accordance with number 4.2.3. (4) sentence 1 of the Code, the Executive Board contracts provide for a compensation payment that is limited to a maximum of twice the annual compensation and does not recompense more than the remaining term of the contract of employment (cap); whereby no premature payment of performance-related variable compensation is made in the event of premature contract termination.

The members of the Executive Board have received no benefits or commitments from third parties with respect to their work as Executive Board members.

The details of the compensation of the individual members of the Executive Board in the financial year 2019 and the pension expenses can be taken from the following table.

Total Executive Board compensation

Benefits granted

Benefits granted (in € thousand)	Stefan Fuchs Chairman since 2004, member of the Executive Board since 1999				Dr. Lutz Lindemann Member of the Executive Board since 2009				Dr. Timo Reister Member of the Executive Board since 2016			
	2018	2019	2019 min.	2019 max.	2018	2019	2019 min.	2019 max.	2018	2019	2019 min.	2019 max.
Fixed compensation	800	800	800	800	500	500	500	500	500	500	500	500
Additional benefits	18	18	18	18	22	22	22	22	16	18	18	18
Total	818	818	818	818	522	522	522	522	516	518	518	518
Annual variable compensation (STI)	804	558	0	1,200	402	279	0	750	402	279	0	750
Multi-year variable compensation (LTI)	804	558	0	1,200	402	279	0	750	402	279	0	750
Total variable compensation	1,608	1,116	0	2,400	804	558	0	1,500	804	558	0	1,500
Total compensation Section 314 HGB	2,426	1,934	818	3,218	1,326	1,080	522	2,022	1,320	1,076	518	2,018
Pension expenses	220	212	212	212	194	191	191	191	100	200	200	200
Total compensation GCGC	2,646	2,146	1,030	3,430	1,520	1,271	713	2,213	1,420	1,276	718	2,218

Benefits granted (in € thousand)	Dr. Ralph Rheinboldt Member of the Executive Board since 2009				Dagmar Steinert Member of the Executive Board since 2016			
	2018	2019	2019 min.	2019 max.	2018	2019	2019 min.	2019 max.
Fixed compensation	500	500	500	500	500	500	500	500
Additional benefits	16	16	16	16	13	13	13	13
Total	516	516	516	516	513	513	513	513
Annual variable compensation (STI)	402	279	0	750	402	279	0	750
Multi-year variable compensation (LTI)	402	279	0	750	402	279	0	750
Total variable compensation	804	558	0	1,500	804	558	0	1,500
Total compensation Section 314 HGB	1,320	1,074	516	2,016	1,317	1,071	513	2,013
Pension expenses	142	137	137	137	100	200	200	200
Total compensation GCGC	1,462	1,211	653	2,153	1,417	1,271	713	2,213

In addition to the allocated compensation components shown under the line pension expenses, the allocation also includes the service cost calculated for Stefan Fuchs, Dr. Lutz Lindemann and Dr. Ralph Rheinboldt, although

the service cost is not an actual allocation in the proper sense. The actual annual variable compensation is based on the FVA and the performance factor. The variable compensation is paid out in March of the subsequent year.

→ [# Total Executive Board compensation: Allocation](#)

Total Executive Board compensation

Allocation

Allocation (in € thousand)	Stefan Fuchs		Dr. Lutz Lindemann		Dr. Timo Reister	
	2019	2018	2019	2018	2019	2018
Fixed compensation	800	800	500	500	500	500
Additional benefits	18	18	22	22	18	16
Total fixed compensation	818	818	522	522	518	516
Annual variable compensation (STI)	613	884	307	442	307	442
Multi-year variable compensation (LTI)	614	884	307	442	307	442
Total variable compensation	1,227	1,768	614	884	614	884
Total fixed and variable compensation	2,045	2,586	1,136	1,406	1,132	1,400
Pension expenses	212	220	191	194	200	100
Total compensation	2,257	2,806	1,327	1,600	1,332	1,500

Allocation (in € thousand)	Dr. Ralph Rheinboldt		Dagmar Steinert		Total	
	2019	2018	2019	2018	2019	2018
Fixed compensation	500	500	500	500	2,800	2,800
Additional benefits	16	16	13	13	87	85
Total fixed compensation	516	516	513	513	2,887	2,885
Annual variable compensation (STI)	307	442	307	442	1,841	2,652
Multi-year variable compensation (LTI)	307	442	307	442	1,842	2,652
Total variable compensation	614	884	614	884	3,683	5,304
Total fixed and variable compensation	1,130	1,400	1,127	1,397	6,570	8,189
Pension expenses	137	142	200	100	940	756
Total compensation	1,267	1,542	1,327	1,497	7,510	8,945

The present value of pension commitments less fund assets, which equates to the provision amount, is €8,885 thousand (4,822) for the Executive Board members active at the end of the year. Of this amount, €4,048 thousand is attributable to Stefan Fuchs (DBO €6,885 thousand; fund assets €2,837 thousand), €2,564 thousand to Dr. Lutz Lindemann (DBO €5,318 thousand; fund assets €2,754 thousand) and €2,273 thousand to Dr. Ralph Rheinboldt (DBO €4,124 thousand; fund assets €1,851 thousand).

The total compensation of former Executive Board members and their surviving dependents in 2019 amounted to €566 thousand (543). The pension provisions – pension obligation less fund assets – for former Executive Board members and their surviving dependents amounted to €3,359 thousand (2,025).

Adjustment to the compensation and the contracts of members of the Executive Board from January 1, 2020

The Supervisory Board sets specific target and maximum total compensation for each member of the Executive Board, which is appropriate to the tasks and performance of the Executive Board member and to the position of the company and which does not exceed the reasonable compensation paid – by other companies as well as FUCHS – unless special grounds apply. The Supervisory Board has used the companies included in the MDAX as a suitable peer group for assessing the reasonableness of actual total compensation compared with other companies. As a suitable peer group for assessing reasonableness within its own company, the Supervisory Board has assessed the Executive Board's compensation in relation to the compensation paid to senior management and the company's workforce as a whole and will successively consider this ratio over a period of five calendar years.

As of January 1, 2020, the fixed compensation that had been unchanged since 2015 was amended by 10% in each case. As a result, the Chairman of the Executive Board receives fixed compensation of €880 thousand and the other members of the Executive Board each receive €550 thousand.

The performance-related compensation components remain aligned with FVA and are also still supplemented by the performance factor for the entire Executive Board. From 2020, 55% (previously 50%) of the LTI must be invested in FUCHS preference shares as a mandatory personal investment. The lock-up period is increased from three to four years.

For the pension commitments of the Executive Board members appointed before January 1, 2016, the increase in the fixed compensation from 2020 will result in a corresponding increase in the old-age pension commitment. For members of the Executive Board who have joined since January 1, 2016, the annual payment to the Allianz provident fund will increase by 10% to €220 thousand from 2020.

Compensation for members of the Supervisory Board

The compensation of the members of the Supervisory Board is based on Article 16 of the Articles of Association of FUCHS PETROLUB SE. In addition to reimbursement of their expenses, the members of the Supervisory Board receive a fixed compensation of €60,000 payable after the end of the financial year and variable compensation

Compensation for members of the Supervisory Board 2019 (2018)

in € thousand	Fixed compensation	Variable compensation	Compensation for committee work	Total
Dr. Jürgen Hambrecht (until May 7, 2019)	43	14	7	64
Dr. Kurt Bock (from May 7, 2019)	(120)	(59)	(20)	(199)
Dr. Susanne Fuchs	78	27	13	118
Horst Münkel (until May 7, 2019)	–	–	–	–
Jens Lehfeldt (from May 7, 2019)	60	20	30	110
Ingeborg Neumann	(60)	(29)	(30)	(119)
Lars-Eric Reinert	21	7	–	28
Dr. Erhard Schipporeit	(60)	(30)	–	(90)
Total	39	13	–	52
	–	–	–	–
	60	20	20	100
	(60)	(29)	(20)	(109)
	60	20	–	80
	(60)	(30)	–	(90)
	90	31	50	171
	(90)	(44)	(50)	(184)
	451	152	120	723
	(450)	(221)	(120)	(791)

linked to the success of the company of €200 for every €0.01 by which the average earnings per share exceed the minimum earnings per share. The minimum earnings per share amounted to €0.50 for the financial year 2015 and increase by €0.03 every subsequent year starting from January 1, 2016. The minimum earnings per share amounted to €0.62 for the financial year 2019. The variable compensation is limited to two thirds of the fixed annual compensation (cap). Half of the variable compensation is to be invested in preference shares in the company with a vesting period of five years, whereby the vesting period is waived when the member leaves the Supervisory Board. The Chairman of the Supervisory Board

receives double and the Deputy Chairman one and a half times this compensation. The members receive fixed compensation of €20,000 payable after the end of the financial year for their work on the Audit Committee and the same in the amount of €10,000 for their work on the Personnel Committee. The Chairmen of the Audit and Personnel Committees each receive double the aforementioned amounts. Supervisory Board and committee members who have not been a member of the Supervisory Board or committee for a full financial year receive pro rata compensation. → # 80 [Compensation for members of the Supervisory Board](#)

D&O insurance

FUCHS PETROLUB SE has taken out D&O insurance (pecuniary loss liability insurance), which covers the work of the members of the Executive and Supervisory Boards. For both the Executive Board and the Supervisory Board, the insurance policy provides for a deductible of 10% of the loss – not exceeding one and a half times the individual fixed compensation.

Takeover law disclosures

The takeover law disclosures required pursuant to Sections 289 a and 315 a of the German Commercial Code (HGB) are presented below.

Composition of issued capital

As of December 31, 2019 the issued capital of the company amounted to €139,000,000. The share capital is divided into 69,500,000 no-par-value ordinary bearer shares and 69,500,000 no-par-value preference bearer shares. Each share class therefore accounts for 50% of the company's share capital. Each share is assigned a nominal value of €1 as of the end of the reporting period. The ordinary shares grant the rights provided for by the German Stock Corporation Act (AktG). The preference shares grant the same rights relating to company issues, with the exception of voting rights. The rights and duties of the shareholders are based on the regulations of the German Stock Corporation Act (AktG), in particular Sections 12, 53 a et seq., 118 et seq. and 186.

In accordance with the company's Articles of Association, the unappropriated profit is used in the following order:

- a. For payment of any remaining profit shares on the non-voting preference shares from previous years;
- b. For payment of a preference profit share of €0.03 per non-voting preference share of no par value;
- c. For payment of an initial profit share of €0.02 per ordinary share of no par value;

d. For equal payment of further profit shares on the ordinary shares and the non-voting preference shares, unless the Annual General Meeting decides on another use.

Restrictions relating to voting rights or the transfer of shares

Together with members of the Fuchs family, RUDOLF FUCHS GMBH & CO. KG, Mannheim, forms Schutzgemeinschaft Fuchs. Within Schutzgemeinschaft Fuchs, there are restrictions on the exercise of voting rights and the transfer of shares. The voting rights of all members of Schutzgemeinschaft Fuchs are exercised uniformly by the management of the Schutzgemeinschaft. In the event of paid and free transfers of shares by members of the Fuchs family or by RUDOLF FUCHS GMBH & CO. KG to third parties, the shares must first be offered internally within Schutzgemeinschaft Fuchs.

Furthermore, RUDOLF FUCHS GMBH & CO. KG and several members of Schutzgemeinschaft Fuchs have also concluded a voting trust and escrow agreement. This states that shares may only be transferred to signatories of this voting trust and escrow agreement.

Ordinary shares, which are offered for sale to entitled employees in Germany at preferential conditions within the context of the employee share program, have a one-year lock-up period. Preference shares acquired by members of the Executive Board and the Supervisory Board as

part of their variable remuneration have a vesting period of three or five years respectively. The vesting period for Supervisory Board members is waived when they leave the Supervisory Board.

The Executive Board is not aware of any other restrictions on voting rights or the transfer of shares.

Capital holdings exceeding 10% of voting rights

The following direct or indirect holdings of the company's capital exceed 10% of voting rights:

Schutzgemeinschaft Fuchs holds the majority of the capital stock with voting rights. RUDOLF FUCHS GMBH & CO. KG holds 50% of the voting rights. The individuals who are members of the Fuchs family hold a further 5%. Schutzgemeinschaft Fuchs therefore holds 55% of the total voting shares.

Shares with special rights bestowing control

There are no shares with special rights bestowing control.

Nature of voting right control if employees hold interests in capital and do not exercise their control rights directly

As is the case with other shareholders, employees who hold interests in the company's capital can exercise their control rights directly in accordance with the legal provisions and terms of the company's Articles of Association.

Statutory regulations and provisions of the Articles of Association for the appointment and dismissal of members of the Executive Board and the amendment of the Articles of Association

The company's Articles of Association, in their current form, comply with the legal requirements of Article 39 of the SE Regulation, Section 16 of the German SE Implementation Act and Sections 84 and 85 AktG, Article 59 of the SE Regulation and Section 179 of the German Stock Corporation Act (AktG) with regard to the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association.

Authorization of the Executive Board to issue and buy back shares

The company's Articles of Association contain the authorization to perform a capital increase from authorized capital. The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the company by up to €27,800,000 in one or several tranches by May 5, 2020, by issuing up to 27,800,000 new, no-par-value bearer shares in exchange for cash or non-cash contributions. Ordinary or preference shares with no voting rights can be issued in compliance with Section 139 (2) of the German Stock Corporation Act (AktG).

The Executive Board is authorized, with the approval of the Supervisory Board, to acquire own ordinary or preference shares by May 5, 2020 for all legally admissible purposes up to a value of 10% of the share capital in place at the date of the resolution. The authorization to acquire and then use own shares that have been acquired can be exercised once or on multiple occasions in full or in part. These authorizations can be exercised to acquire and use both ordinary shares and preference shares, or to acquire and use only ordinary shares or only preference shares.

Significant company agreements subject to a change of control following a takeover bid

The company has agreements with two banks that enable the termination or repayment of lines of credit/loans granted with a total value of €60 million in the event of a change in control, insofar as it is not possible to reach an agreement on the continuation of credit facilities following the changes in ownership and control.

Company agreements for compensation of members of the Executive Board or employees in the event of a takeover bid

There are no agreements for compensation with the members of the Executive Board or employees in the event of a takeover bid.

Dependent company report / report on investments in affiliated companies

The Fuchs family holds the majority of the capital stock with voting rights. RUDOLF FUCHS GMBH & CO. KG, via which most of the Fuchs family's ordinary stock is held, is the controlling enterprise for FUCHS PETROLUB SE, which is a dependent company.

A dependent company report has therefore been prepared on relationships with related parties pursuant to Section 312 of the German Stock Corporation Act (AktG) with the concluding declaration: "In the legal transactions listed in the dependent company report and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. No measures subject to disclosure occurred on the instruction or in the interest of the controlling company or any company associated with it."

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, the independent auditor of FUCHS PETROLUB SE, have audited this dependent company report and provided it with an unqualified audit opinion.

Financial Report

3

Financial Report

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* Part of the notes.

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Income statement

in € million	Notes	2019	2018	Change	
				absolute	relative in %
Sales revenues	(1)	2,572	2,567	5	0
Cost of sales	(2)	-1,682	-1,668	-14	1
Gross profit		890	899	-9	-1
Selling and distribution expenses	(3)	-379	-366	-13	4
Administrative expenses	(4)	-134	-127	-7	6
Research and development expenses		-55	-52	-3	6
Other operating income and expenses	(5)	-12	3	-15	-500
EBIT before income from companies consolidated at equity		310	357	-47	-13
Income from companies consolidated at equity	(6)	11	26	-15	-58
Earnings before interest and tax (EBIT)		321	383	-62	-16
Financial result	(7)	-4	-2	-2	100
Earnings before tax (EBT)		317	381	-64	-17
Income taxes	(8)	-89	-93	4	-4
Earnings after tax		228	288	-60	-21
Thereof					
Non-controlling interests	(9)	0	0	0	0
Profit attributable to shareholders of FUCHS PETROLUB SE		228	288	-60	-21
Earnings per share in €¹	(10)				
Ordinary share		1.63	2.06	-0.43	-21
Preference share		1.64	2.07	-0.43	-21

¹ Basic and diluted in both cases.

Statement of comprehensive income

in € million	2019	2018
Earnings after tax	228	288
Other comprehensive income		
Amounts of other comprehensive income that may be reclassified to profit or loss in future periods		
Change in foreign currency translation adjustments		
Foreign subsidiaries	15	-11
Shares in companies consolidated at equity	-2	-5
Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods		
Remeasurements of defined benefit pension commitments	-11	0
Fair value changes of shares in companies consolidated at equity	2	-3
Fair value changes of equity instruments	0	0
Deferred taxes on these amounts	3	0
Total other comprehensive income	7	-19
Total income and expenses for the period	235	269
Thereof		
Non-controlling interests	0	0
Profit attributable to shareholders of FUCHS PETROLUB SE	235	269

For further information, please refer to the notes under item 24.

→ [125 Pension provisions](#)

Balance sheet

in € million	Notes	Dec 31, 2019	Dec 31, 2018	Change	
				absolute	relative in %
Assets					
Intangible assets	(13)	269	279	-10	-4
Property, plant and equipment	(14)	647	521	126	24
Shares in companies consolidated at equity	(15)	47	38	9	24
Other financial assets	(16)	8	8	0	0
Deferred tax assets	(17)	29	26	3	12
Other receivables and other assets	(21)	1	1	0	0
Non-current assets		1,001	873	128	15
Inventories	(18)	381	410	-29	-7
Trade receivables	(19)	381	379	2	1
Tax receivables	(20)	9	6	3	50
Other receivables and other assets	(21)	32	28	4	14
Cash and cash equivalents	(22)	219	195	24	12
Current assets		1,022	1,018	4	0
Total assets		2,023	1,891	132	7

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Balance sheet

in € million	Notes	Dec 31, 2019	Dec 31, 2018	Change	
				absolute	relative in %
Equity and liabilities					
Subscribed capital		139	139	0	0
Group reserves		1,193	1,028	165	16
Group profits		228	288	-60	-21
Equity of shareholders of FUCHS PETROLUB SE		1,560	1,455	105	7
Non-controlling interests		1	1	0	0
Total equity	(23)	1,561	1,456	105	7
Pension provisions	(24)	36	25	11	44
Other provisions	(26)	5	4	1	25
Deferred tax liabilities	(17)	32	34	-2	-6
Financial liabilities	(28)	14	0	14	100
Other liabilities	(29)	2	3	-1	-33
Non-current liabilities		89	66	23	35
Trade payables	(25)	219	213	6	3
Other provisions	(26)	24	24	0	0
Tax liabilities	(27)	27	29	-2	-7
Financial liabilities	(28)	12	4	8	200
Other liabilities	(29)	91	99	-8	-8
Current liabilities		373	369	4	1
Total equity and liabilities		2,023	1,891	132	7

Statement of changes in equity

in € million	Outstanding shares (units)	Subscribed capital	Capital reserves	Equity capital generated in the Group	Currency translation ¹	Shareholders' equity	Non-controlling interests	Total equity
As at December 31, 2017	139,000,000	139	97	1,090	-20	1,306	1	1,307
Adjustments IFRS 9 "Financial Instruments"				5		5		5
Adjustments IAS 29 "Hyperinflationary economies"				1		1		1
As at January 1, 2018	139,000,000	139	97	1,096	-20	1,312	1	1,313
Dividend payments				-126		-126	0	-126
Earnings after tax 2018				288		288	0	288
Change in other comprehensive income				-3 ²	-16	-19		-19
As at December 31, 2018	139,000,000	139	97	1,255	-36	1,455	1	1,456
Adjustments IAS 29 "Hyperinflationary economies"				1		1		1
Dividend payments				-131		-131	0	-131
Earnings after tax 2019				228		228	0	228
Change in other comprehensive income				-6 ²	13	7		7
As at December 31, 2019	139,000,000	139	97	1,347	-23	1,560	1	1,561

¹ Income and expenses recognized in equity of shareholders of FUCHS PETROLUB SE.

² Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods consist of remeasurements of defined benefit pension commitments, fair value changes of shares in companies consolidated at equity, and from the year 2018 onwards of fair value changes of equity instruments. These amounts are included in the equity capital generated in the Group.

Changes in shareholders' equity are illustrated in the notes under item 23.

→ [124 Total equity](#)

Statement of cash flows

in € million	2019	2018
Earnings after tax	228	288
Depreciation, amortization and impairment of non-current assets	79	58
Change in non-current provisions and in other non-current assets (covering funds)	1	-1
Change in deferred taxes	-2	-4
Non-cash income from shares in companies consolidated at equity	-11	-14
Dividends received from companies consolidated at equity	2	2
Gross cash flow	297	329
Gross cash flow	297	329
Change in inventories	38	-49
Change in trade receivables	6	-9
Change in trade payables	1	10
Change in other assets and other liabilities (excluding financial liabilities)	-14	-2
Net gain on disposal of shares in companies consolidated at equity	0	-12
Net gain/loss on disposal of non-current assets	1	0
Cash flow from operating activities	329	267
Investments in non-current assets	-154	-121
Proceeds from the disposal of non-current assets	0	1
Cash paid for acquisitions	-14	-2
Cash acquired through acquisitions	1	0
Proceeds from divestments	0	14
Cash flow from investing activities	-167	-108
Free cash flow before acquisitions ¹	175	147
Free cash flow	162	159
Dividends paid for previous year	-131	-126
Changes in financial liabilities	-8	3
Cash flow from financing activities	-139	-123
Cash and cash equivalents as at Dec 31 of the previous year	195	161
Cash flow from operating activities	329	267
Cash flow from investing activities	-167	-108
Cash flow from financing activities	-139	-123
Effect of currency translations	1	-2
Cash and cash equivalents at the end of the period	219	195

The paid taxes on income total €97 million (95). They are included in the cash flow from operating activities.

€4 million (2) was paid for interest. Interest payments received totaled €1 million (1). Both are included in the cash flow from operating activities.

For further explanation on the statement of cash flows see item 32 in the notes.

→ [138 Notes to the statement of cash flows](#)

¹ Free cash flow before cash paid for acquisitions (and before cash acquired through acquisitions) and before proceeds from divestments.

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Segments¹

in € million	EMEA			Asia-Pacific			North and South America			Holding/consolidation		FUCHS Group		
	2019	2018 ²	Change	2019	2018 ²	Change	2019	2018	Change	2019	2018 ²	2019	2018	Change
Sales revenues by customer location	1,371	1,379	-8	765	760	5	436	428	8	0	0	2,572	2,567	5
Sales revenues by company location	1,579	1,618	-39	718	706	12	418	409	9	-143	-166	2,572	2,567	5
thereof with other segments	142	164	-22	0	0	0	1	2	-1	-143	-166	0	0	0
Scheduled amortization and depreciation	46	38	8	13	9	4	13	9	4	1	2	73	58	15
Impairment losses ³	6	0	6	0	0	0	0	0	0	0	0	6	0	6
EBIT before income from companies consolidated at equity	156	185	-29	93	102	-9	49	59	-10	12	11	310	357	-47
Income from companies consolidated at equity	11	26	-15	0	0	0	0	0	0	0	0	11	26	-15
Segment earnings (EBIT)	167	211	-44	93	102	-9	49	59	-10	12	11	321	383	-62
Shares in companies consolidated at equity	47	38	9	0	0	0	0	0	0	0	0	47	38	9
Additions to property, plant and equipment and intangible assets	97	65	32	31	33	-2	22	22	0	4	1	154	121	33
Additions from acquisitions ³	0	1	-1	8	0	8	3	1	2	0	0	11	2	9
Employees as at December 31 ⁴	3,820	3,740	80	932	895	37	745	690	55	130	121	5,627	5,446	181
Performance indicators														
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %	9.9	11.4		13.0	14.4		11.7	14.4				12.1	13.9	

¹ Part of the notes.

² Previous year's figures comparable.

³ Relating to property, plant and equipment and intangible assets.

⁴ Including trainees.

3.2 Notes to the consolidated financial statements

Basis of preparation

General information

The consolidated financial statements of FUCHS PETROLUB SE, Mannheim, as of December 31, 2019, have been prepared in accordance with the standards and interpretations as specified in the guidelines of the International Accounting Standards Board (IASB), London, as adopted by the EU, and in accordance with the supplementary regulations to be applied as specified in Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB), as applicable at the end of the reporting period. All the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), applicable in the EU, that were required for the financial year 2019, have been applied. No option for early adoption of new standards was used.

The parent company FUCHS PETROLUB SE is an European corporation (Societas Europaea) based in Mannheim (Friedenheimer Straße 17, 68169 Mannheim) and registered with the District Court of Mannheim (commercial registration number: HRB 717394).

The FUCHS Group has been focusing 100% on the development, manufacture and sale of lubricants and related specialties for more than 80 years.

The currency used in this report is the euro (€). All amounts are stated in millions of euro (€ million), unless otherwise indicated. The previous year's figures are stated in paren-

theses. Differences due to rounding may occur as amounts are stated in € million. Percentages refer to full millions.

In order to simplify the presentation, some individual items have been grouped together in the balance sheet and the income statement. However, these items are listed separately and explained in the notes. The income statement has been prepared in accordance with the cost-of-sales method.

The Executive Board at FUCHS PETROLUB SE prepared the consolidated financial statements on March 4, 2020, and discussed them with the Supervisory Board's Audit Committee. The consolidated financial statements will be presented to the Supervisory Board for approval and then released for publication during the meeting on March 18, 2020.

With reference to Section 264 (3) HGB, the following German companies did not apply the provisions contained in Sections 264 to 289 f HGB (annual financial statements of corporations) and their disclosure (Section 325 HGB):

- BREMER & LEGUIL GMBH, Duisburg,
- FUCHS FINANZSERVICE GMBH, Mannheim,
- FUCHS LUBRITECH GMBH, Kaiserslautern,
- FUCHS SCHMIERSTOFFE GMBH, Mannheim,
- FUCHS WISURA GMBH, Bremen,
- inoviga GmbH, Mannheim, and
- PARAFLUID GMBH, Hamburg

The large and medium-sized corporations were also exempted from preparing a management report.

Application of new accounting standards

The accounting standards to be applied in the financial year 2019 for the first time are outlined in the following section.

IFRS 16 – Leases

IFRS 16 “Leases” is applicable from January 1, 2019, and replaces the existing IAS 17 guidelines for leases. IFRS 16 provides a uniform accounting model requiring lessees to recognize leases in their balance sheet. Lessees recognize a right-of-use asset that constitutes a right to use the underlying asset and a lease liability representing their obligation to make lease payments. There are exemptions for short-term leases and leases for low-value assets which the FUCHS Group utilizes. The new provisions on accounting for leases affect the FUCHS Group as a lessee, particularly for leases of real estate and vehicles. Accounting for the lessor, which does not have any material relevance for the FUCHS Group, is comparable with the regulations of IAS 17.

The transition to IFRS 16 in the FUCHS Group took place in line with the modified retrospective method, with the cumulative transitional effect recognized as of January 1, 2019. The comparative information for the previous year therefore was not restated. In addition, the disclosure requirements in IFRS 16 were not generally applied to the comparative information.

The lease liabilities to be recognized from 2019 onward for leases with FUCHS as the lessee are reported at the present value of the outstanding lease payments. As of January 1, 2019, the total amount of recognized lease liabilities came to €22 million, of which €14 million was recognized under non-current financial liabilities and €8 million under current financial liabilities. The weighted average interest rate used for discounting existing leases on January 1, 2019, was 3.2%. A carrying amount for right of use assets, which is reported under property, plant and equipment, is recognized in the consolidated balance sheet with the amount of €24 million (comprising €17 million in real estate and €7 million in vehicles) at the transition date.

The difference between the other financial obligations from future minimum lease payments for operating leases recognized as of December 31, 2018, with the amount of €31 million and the lease liabilities recognized for the first time in the amount of €22 million (undiscounted: €23 million) as of January 1, 2019, is mainly attributable to the simplified application options utilized for short-term leases and leases of low-value assets.

In contrast to the previous approach of fully recognizing expenses from operating leases in the respective function costs, the interest portion from the interest accrued on lease liabilities – which amounted to €1 million at FUCHS in 2019 and is thus of immaterial significance – is recognized in the financial result. A division between lease and

non-lease components is generally made (e. g. between financing and service installments for vehicles), meaning that the non-lease components remain directly in current expenses. The amortization of €8 million on right of use assets for 2019 is recognized under the respective function costs.

In the statement of cash flows, the FUCHS Group recognized the interest portion of €1 million in the cash flow from operating activities and the repayment portion of €8 million in the cash flow from financing activities with regard to the change in lease liabilities. Lease payments in connection with short-term leases, leases of low-value assets and non-lease components still continue to be reported in cash flow from operating activities.

The following accounting standards to be applied for the first time in 2019 had no significant effects on the FUCHS Group's net assets, financial position and results of operations.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 contains regulations on the recognition and measurement of tax risk positions. Accounting is based on the assumption that all relevant information is available to the tax authority. The prerequisite for recognizing a tax risk position as an asset or a liability is that a payment or a refund must be considered probable. Disclosures on the specified estimates, assumptions and discretionary deci-

sions must be made in the notes in each case. In addition, disclosures must be made with regard to potential effects of the uncertainty as tax-related contingent liabilities and contingent receivables in accordance with IAS 12.88.

Amendments to IFRS 9 – Financial Instruments: Prepayment features with negative compensation

The adjustments relate to a limited adjustment of the relevant assessment criteria for the classification of financial assets. Under certain conditions, financial assets with a negative prepayment penalty may be accounted for at amortized cost or at fair value through other comprehensive income instead of at fair value through profit and loss.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

The amendments contain a clarification that IFRS 9 is to be applied to long-term interests in associates and joint ventures where the equity method is not used for accounting.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In accordance with IAS 19, pension obligations arising from plan amendments, curtailments and settlements are to be measured on the basis of current assumptions. The amendment clarifies that after such an event, service cost and net interest expenses should be recognized for the remainder of the period based on current assumptions.

Improvements to IFRS 2015–2017

As a result of the Annual Improvements to IFRSs (2015–2017), four IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23) were amended.

The FUCHS Group currently assumes that the future amendments from 2020 onward, none of which were applied early in 2019, will not have any significant effects on the consolidated financial statements.

Standards adopted by the EU

Amendments to IAS 1 and IAS 8 – Definition of “Material”

With the amendments in IFRS, a standard and more clearly defined definition of the materiality of financial statement information is created and supplemented with accompanying examples. The definitions from the Conceptual Framework, IAS 1, IAS 8 and the IFRS Practice Statement 2 are harmonized in this context. The amendments are applicable on January 1, 2020, for the first time. Early adoption is also permitted.

Conceptual Framework – Amendments to references to the Conceptual Framework in IFRS standards

The revised Conceptual Framework consists of a new superordinate section on the “status and purpose of the Conceptual Framework” as well as eight fully included sections. Revised definitions of assets and liabilities and new guidelines on measurement and derecognition, reporting and information are included.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments are based on existing uncertainties in connection with the IBOR reform. Based on the existing regulations on hedge accounting, the upcoming changes in interest rate benchmarks would result in the termination of hedging relationships in many cases. It is now possible to continue existing hedge accounting relationships for a transitional period. To this end, the amendments provide for selected mandatory exceptions from the previous hedge accounting requirements.

Standards not yet adopted by the EU

Amendments to IFRS 3 – Definition of a Business

With the amendment, the IASB clarifies that a business operation is a group of activities and assets that includes at least one input and a substantial process that together contribute significantly to the entity’s ability to produce output. In addition, in respect to the outputs, the focus is on providing goods and services to customers; the reference to an ability to reduce costs is removed. Furthermore, the new regulations also have an optional concentration test that permits a simplified assessment of what is a business. The amendments – subject to endorsement by the EU – are to be applied to business combinations for which the acquisition date is on or after January 1, 2020. Early adoption is also permitted.

Amendments to IAS 1 – Classification of Liabilities as Current and Non-current

The changes clarify that a liability is to be classified as current if the entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after that date. The existence of this right suffices. There need be no intention to actually exercise the right. Subject to endorsement by the EU, these amendments are applicable for reporting periods starting on or after January 1, 2022.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the regulations in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The IASB has decided to postpone the effective date of these amendments indefinitely.

Scope of consolidation

Overview scope of consolidation

Number	EMEA	Asia-Pacific	North and South America	Total
Fully consolidated companies (incl. parent company)				
Jan 1, 2019	38	19	9	66
Additions		2		2
Disposals				
Dec 31, 2019	38	21	9	68
Companies consolidated at equity				
Jan 1, 2019	4	0	0	4
Additions	1			1
Dec 31, 2019	5	0	0	5

FUCHS PETROLUB SE, Mannheim, is a group company of RUDOLF FUCHS GMBH & CO. KG, Mannheim, which prepares the consolidated financial statements for the largest group of consolidated companies. The consolidated financial statements of RUDOLF FUCHS GMBH & CO. KG, in which the company is included, are submitted to the German Federal Gazette.

In addition to FUCHS PETROLUB SE, all German and international subsidiaries are included in the consolidated

financial statements of FUCHS PETROLUB SE, Mannheim, Germany. The year-end financial statements of the subsidiaries are prepared using the same reporting date as the consolidated financial statements (December 31). Most of these subsidiaries are wholly owned, as in the previous year. Shareholdings are disclosed in note 38.

→ [145 Shareholding](#)

The scope of consolidation is made up of 68 (66) companies in total, including the parent company. Changes to the basis of consolidation in 2019 are explained in the section below.

Changes in the scope of consolidation

Additions fully consolidated companies

	in %
NULON PRODUCTS AUSTRALIA PTY. LTD.	100
NULON NZ LTD.	100

With effect from April 1, 2019, FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne, Australia, acquired all shares in NULON PRODUCTS AUSTRALIA PTY. LTD., Sydney, Australia and its subsidiary NULON NZ LTD., Auckland, New Zealand. The acquisition is part of the expansion into automotive retail business and will complement the existing business in the automotive, mining, industrial and OEM sectors.

With effect from November 1, 2019, FUCHS LUBRICANTS CO., Harvey, Illinois/USA, acquired the business of ZIM-MARK INC. Based in Burlington, Ontario (Canada), this is a service company offering services in the fields of lubricants and chemical process management (CPM). With this acquisition, the FUCHS Group has expanded its service portfolio in the industrial lubricants market.

The purchase price for both acquisitions of €14 million is mainly attributable to acquired intangible assets (€5 million), particularly customer relationships and the NULON brand, and to property, plant and equipment (€2 million), net operating working capital (€3 million), deferred tax liabilities (€1 million) and goodwill (€5 million). This goodwill of €4 million, which is not tax-deductible, arises from the synergy and income potential expected from the integration of operating business in the FUCHS Group.

During the period the companies belonged to the Group in 2019, sales revenues amounted to €18 million and would have amounted to around €26 million for the period from January to December 2019. Taking account of the amortization from the purchase price allocation, the EBIT contribution for both of the above periods of 2019 amounts to a rounded figure of €0 million. In addition, integration costs of €1 million (rounded) were incurred in the second half of 2019.

Additions from companies consolidated at equity

	in %
FUCHS LUBRICANTS TANZANIA	48

In early June 2019, FUCHS PETROLUB SE acquired a share of 48% or around €0.3 million in the above mentioned company in Tanzania, which is recognized under shares in companies consolidated at equity. This will make it possible for customers and dealers to procure high-quality lubricants directly in the future. In the past years, the Tanzanian market was served via a license partner of FUCHS.

Consolidation principles

Pursuant to IFRS 3, all business combinations are accounted for with the purchase method of accounting at the acquisition date. Initially, all assets, liabilities and additional intangible assets to be capitalized are measured at fair value. The acquisition costs are then compared with the proportional share of the net assets acquired at fair value. The resulting positive differences are capitalized as goodwill. Negative differences are reviewed once more, then recognized directly in profit or loss. The incidental acquisition costs of a business combination are recognized in profit or loss. Pursuant to IAS 36, the value of the goodwill is calculated on the basis of goodwill impairment tests performed at

least once each year or whenever there are indications of an impairment. For details on this, please refer to the section entitled "Accounting policies" and note 13.

→ [99 Accounting policies](#)

→ [112 Intangible assets](#)

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the point in time in which control begins and up to the point in time when control ends.

Changes to the percentage of shares held which do not lead to a loss of control are treated as a transaction between shareholders and recognized directly in equity. Transactions of this nature do not result in the recognition of goodwill or the realization of disposal proceeds.

The consolidation principles apply accordingly to the joint ventures and associates accounted for using the equity method. In the event of losing joint control or key influence, the remaining shares are remeasured at fair value through profit and loss.

Associates are companies over which the company has a significant influence, but no control or joint control on financial and operating policies. A joint venture is an arrangement over which the Group exercises joint control, with rights to the net assets of the arrangement, instead of having rights to its assets and obligations for the liabilities.

The shares in companies consolidated at equity are measured at acquisition cost plus or minus the accumulated changes in net assets; goodwill is reported in the carrying amount of the investment.

Sales revenues, expenses and income, and receivables and liabilities between consolidated subsidiaries are netted off. Intercompany profits resulting from sales and services rendered between consolidated companies are eliminated. This does not apply to intermediate results which are of minor importance overall for the presentation of a true and fair view of the Group's net assets, financial position and results of operations.

Non-controlling interests in consolidated equity and consolidated net profit are reported separately from the parent company's ownership interest.

Currency translation

The translation of financial statements prepared in foreign currencies by consolidated companies is accounted for in accordance with IAS 21 on the basis of the functional currency concept. The functional currency is the currency of the primary economic environment in which a company operates. All subsidiaries use their local currency as their functional currency. In the case of companies included in the consolidated financial statements, foreign currency transactions are measured in their functional currency and converted with the applicable spot rate on the business transaction date.

In the financial statements of FUCHS PETROLUB SE and subsidiaries included in consolidation, assets and liabilities in foreign currencies are measured using the exchange rate at the end of the reporting period. Any exchange rate gains or losses not yet realized at the end of the reporting period are recognized in profit or loss.

For consolidation purposes, the financial statements of the subsidiaries prepared in a foreign currency have been translated to euro as follows:

Expenses and income are recognized at the average annual exchange rate in line with the simplification rule of IAS 21.40 (except: FUCHS Argentina as hyperinflationary

economy using the closing rate), shareholders' equity at historical exchange rates and assets and liabilities at the exchange rate applicable at the end of the reporting period. The resulting translation adjustments are recognized in equity. The year-on-year change is presented in the statement of comprehensive income. The respective cumulative translation differences are released to income at the time of disposal of subsidiaries.

The currency differences resulting from debt consolidation are also recognized in profit or loss in "other operating income and expenses".

In the case of intangible assets and property, plant and equipment, the starting and closing balances at the end of the financial year are translated using the relevant closing rate at the end of the reporting period and other movements are translated at average exchange rates. Any differences arising from exchange rate movements are shown separately as exchange rate differences within acquisition and manufacturing costs and with depreciation and amortization adjustments.

Currency translation for the pro rata equity of joint ventures and associates, which is reflected in the shares in companies consolidated at equity in the balance sheet of the FUCHS Group, is performed at the respective exchange

rates on the date of inclusion. Proportionate net profits of joint ventures and associates are translated at the average annual exchange rate and are recognized as income from companies consolidated at equity in the consolidated income statement of the FUCHS Group. Dividend payments of joint ventures and associates are translated at the exchange rate on the distribution date.

The exchange rates that have a significant impact on the consolidated financial statements have moved against the euro as follows:

Closing rate

1 €	Dec 31, 2019	Dec 31, 2018
US dollar	1.121	1.146
British pound	0.846	0.899
Chinese renminbi yuan	7.808	7.883
Australian dollar	1.599	1.625
South African rand	15.695	16.462
Polish zloty	4.253	4.288
Brazilian real	4.507	4.451
Argentinean peso	67.138	43.173
Russian ruble	69.503	79.900
South Korean won	1,295.150	1,277.710
Swedish krona	10.497	10.153

3.2 Notes to the consolidated financial statements

Average annual exchange rate

1 €	2019	2018
US dollar	1.119	1.181
British pound	0.877	0.885
Chinese renminbi yuan	7.734	7.806
Australian dollar	1.610	1.580
South African rand	16.173	15.612
Polish zloty	4.297	4.260
Brazilian real	4.415	4.309
Argentinean peso	53.877	32.965
Russian ruble	72.426	74.036
South Korean won	1,304.500	1,299.100
Swedish krona	10.585	10.258

Accounting policies

The financial statements of FUCHS PETROLUB SE and its subsidiaries in Germany and abroad are prepared in accordance with uniform accounting policies.

The primary assessment concept is the inclusion of historical purchasing or manufacturing costs. Applicable exceptions are indicated accordingly.

The consolidated financial statements are prepared in accordance with the principles of IFRS, as applied in the EU. The recognition, measurement and reporting meth-

ods, as well as the notes and disclosures regarding the consolidated financial statements for the financial year 2019, are all made on the same consistent basis.

Exceptions arise from changes due to the adoption of new/revised accounting principles (see "General information") or those aimed at conveying relevant information. If adjustments are made to the previous year's figures, these are explained in the notes to the consolidated financial statements.

In addition to the Group's earnings before interest and tax (EBIT), the EBIT of companies consolidated at equity is also reported in the income statement. When comparing this KPI with sales revenues, only those amounts generated from the fully consolidated companies are taken into account in the relative value, both for income and sales revenues.

Significant discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions to be made for some items that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on experience values, the current level of knowledge, information currently available, as well as other factors which the Exec-

utive Board deems to be applicable under the respective circumstances. Future-related assumptions and estimates are necessary, in particular for the assessment, recognition, and measurement of assets and liabilities as listed below:

Goodwill

The recoverable amount is calculated on the basis of goodwill impairment tests performed once a year or more frequently whenever there are indications of an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use. Cash-generating units to which goodwill has been allocated are measured for the purpose of impairment testing.

A cash-generating unit is generally a subsidiary. If the recoverable amount is lower than the carrying amount of a cash-generating unit, the goodwill allocated to this unit is impaired to the recoverable amount. The value in use is determined using a discounted cash flow method. The mid-term planning of the subsidiaries, which comprises the budget for the following year and two subsequent planning years, serves as the basis for planning. Due to the construction of the new plant in Sweden, the detailed planning period for FUCHS LUBRICANTS SWEDEN AB, Stockholm, Sweden, has been extended to five years.

Besides the fundamental cash flow plans, the determination of the discount rate is also of significance for the impairment test calculations. The discount rate is a

weighted average cost of capital (WACC), which is made up of the costs of borrowed capital and equity capital weighted with the capital structure. The basis is the capital structure of similar companies at market value. The shareholders' equity costs are also determined from capital market data using the Capital Asset Pricing Model (CAPM) and are made up of a risk-free interest rate and a risk premium (consisting of the market risk premium and beta factor). The borrowing costs correspond to the risk-free interest rate plus a premium for the credit risk. To present the long-term growth of these companies in years subsequent to mid-term planning, a deduction from the growth rate is taken into account in the discount rate for the terminal value. Please refer to note 13 for further information. → [112 Intangible assets](#)

Purchase price allocations (fair values of identified assets and liabilities)

The purchase price allocations and calculations of fair values for identified assets and liabilities are performed on the basis of estimates. Various measurement methods are used to measure intangible assets. The fair value of customer relations is determined using the residual value method. This takes into account the cash value of the anticipated net cash flow generated by the customer relations, with the exception of all cash flows that are linked to supporting assets. The fair value of technologies is

determined using the license price analogy method. This takes into account the discounted estimated usage charge payments, which will likely be saved by having in-house technology.

Measurement of investments to fair value

The fair value of a non-listed investment is determined using a discounted cash flow method. The assumptions underlying the three-year cash planning are based on experience factors, the current level of knowledge and information currently available. Besides the fundamental cash flow plans, the determination of the discount rate is also important for the impairment test calculations. The discount rate is a weighted average cost of capital (WACC), which is made up of the costs of borrowed capital and equity capital weighted with the capital structure.

Pension provisions

The expenses from defined benefit plans and pension provisions, as well as assets from pension plans, are determined using actuarial calculations. An actuarial valuation method is used on the basis of various assumptions which may deviate from actual future developments. These include determination of discount rates, future salary and wage increases, future pension increases and the mortality rate. Due to the complexity of the measurement, the basic assumptions made and the long-term nature of the

investments involved, defined benefit obligations are extremely sensitive to changes in these assumptions. All parameters are regularly reviewed at the end of the reporting period. Actuarial gains and losses are offset against the Group's retained earnings directly in shareholders' equity. They occur due to deviations in the actual development of pension obligations and pension plan assets from assumptions made at the start of the year, as well as updates in actuarial assumptions. Please refer to note 24 for further information.

→ [125 Pension provisions](#)

Realizability of deferred tax assets

The realizability of deferred tax assets depends on the future taxable profits of the respective Group company. If there are any doubts regarding realizability, corresponding impairments are made to the deferred tax assets in individual cases. Please refer to note 17 for further information.

→ [120 Deferred tax assets and liabilities](#)

Impact of Brexit on financial reporting

FUCHS does not expect Brexit to have any material direct impact on consolidated earnings. Please refer to the Forecast Report in the combined management report for further information.

→ [56 Forecast Report](#)

Other key future-related assumptions and estimates are particularly necessary for the assessment, recognition and measurement of:

- impairments of intangible assets and property, plant and equipment,
- impairment losses and reversals of impairment losses in the case of trade receivables,
- other provisions, such as environmental obligations.

Future actual developments may deviate from these assumptions and estimates due to a variety of factors. The estimates and assumptions used are regularly reviewed. Changes are recognized in profit or loss when better estimates are available.

Sales revenues

Sales revenues comprise revenues from the sale of goods or services within the context of ordinary business operations. These are reported without value-added tax or any other taxes incurred in connection with sales revenues, and net of sales deductions and after the elimination of intra-group transactions. Sales revenues are reported at the amount specified in the contract minus the estimated volume discounts. A refund liability (reported in trade payables) is recognized for the anticipated volume discount to be paid to the customer for the sales made up to the end of the reporting period. The estimate of liabilities is made up on the basis of past experience (expected value). Sales revenues are realized upon delivery of the products

and services and the control in line with IFRS 15 had been transferred to the customer. This relates to a point in time if the property and thus the substantial risks and rewards connected with the goods are transferred and the actual right of control has been transferred to the customer. As the claim for the receipt of the consideration occurs unconditionally at the point in time of satisfying the performance obligation to deliver the goods, a receivable is generally recognized immediately. There is thus no recognition of a contractual asset. Payments are due within an appropriate period after the invoice has been received by the customer. In general, there are no long-term financing components.

Services provided over time are recognized as sales revenues as soon as the respective service has been provided. If there is a right to a consideration in an amount corresponding directly with the value of the performance already completed, sales revenues are recognized at the amount which may be invoiced.

Cost of sales

Cost of sales includes the manufacturing costs associated with products, goods and services sold. In addition to directly attributable costs such as the cost of materials, staff costs and energy costs, this also includes individual manufacturing costs and production-related overheads. These overheads include depreciation of production buildings and equipment, write-downs of inventories, etc.

Selling and distribution expenses

Selling and distribution expenses include the costs of the sales organization and customer support in addition to the costs for advertising, commission and logistics.

Administrative expenses

Administrative expenses comprise staff costs and related costs for management and administration duties if these have not been allocated to other functional areas as services within the Group.

Research and development expenses

Research expenses include costs for identifying alternative materials or products for the control of technical processes.

Development work includes the application of research results for the purpose of developing new products and/or processes prior to their commercial use. Development expenses are capitalized as intangible assets when all of the following criteria are met:

- the expenses attributable to the development of the intangible asset can be reliably determined,
- technical and economic completion is feasible,
- future economic benefits is probable and
- there is an intention and possibility of bringing the intangible asset to completion in order to use or sell it.

3.2 Notes to the consolidated financial statements

The criteria to recognize internally generated intangible assets in our product segments are fully met only shortly before these products are ready for the market. Development costs that occur after the recognition criteria have been met are insignificant. As a result, these development costs are also recognized in profit or loss when they occur.

Financial result

Borrowing costs are differentiated in the income statement and accounted for using the effective interest method, provided they are not capitalized as part of the historical cost of the asset in line with IAS 23.8.

Interest income is recognized using the effective interest method.

Interest expenses from pension obligations are recognized with interest income from plan assets and are reported in the financial result.

Intangible assets

Acquired intangible assets are measured and recognized at cost. Assets are distinguished based on their useful life, which is either finite or indefinite. The useful life is indefinite if there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group.

Indefinite-lived intangible assets and goodwill are not subject to amortization, but undergo an impairment test at least once a year and also whenever there are indications of an impairment. Definite-lived intangible assets are amortized over their useful lives using the straight-line method.

A useful life of three to five years applies to software. Other intangible assets, such as patents and licenses, are amortized as per their respective, contractually agreed useful life. A useful life of five to 13 years was applied to acquired customer relationships in the context of acquisitions.

Amortization is reported in the income statement under the department costs for manufacturing, administration, distribution, and research and development.

Property, plant and equipment

All items of property, plant and equipment are recognized at their cost of acquisition or manufacture, less scheduled depreciation according to use. Government grants are offset against acquisition costs. Straight-line depreciation is applied over the useful life of the property, plant and equipment.

Property, plant and equipment are depreciated over the following economic useful lives:

Useful life

Buildings	20 to 40 years
Plant and machinery	5 to 20 years
Factory and office equipment	3 to 10 years

Impairments of definite-lived intangible assets and property, plant and equipment

The carrying value of definite-lived intangible assets is evaluated whenever circumstances or events dictate this. The recoverable amount of assets is compared to their carrying value if there are indications of a potential impairment. An impairment loss is recognized if the recoverable value of an asset (defined as the higher of the asset's net selling price or its value in use) is lower than the carrying amount. If the reason for a previously recognized impairment no longer exists, the impairment is reversed at its brought-forward depreciated or amortized cost of purchase or manufacture. In the income statement, impairment losses are reported as other operating expenses and reversals of impairment losses are reported as other operating income.

Government grants

A government grant is recognized if there is reasonable assurance that the grant will be received and that the entity will comply with the conditions attached to it. Grants relating to expenses are recognized as income on a systematic basis over the period in which the costs they are intended to compensate are recognized.

In respect to grants for an asset, the grant is deducted from the carrying amount of the relevant asset. The grant is then recognized in profit or loss over the useful life of the depreciable asset as a reduced depreciation expense.

Leases

Leases are recognized in the lessee's balance sheet. Lessees recognize a right-of-use asset that constitutes a right to use the underlying asset and a lease liability representing their obligation to make lease payments. There are exemptions for short-term leases and leases for low-value assets which the FUCHS Group utilizes. The provisions on accounting for leases affect the FUCHS Group as a lessee, particularly for leases of real estate and vehicles.

For information on the effects, please refer to the section entitled "Application of new accounting standards" and Note 14 on property, plant and equipment.

→ [115 Property, plant and equipment](#)

Shares in companies consolidated at equity and other financial assets

Companies over which FUCHS exerts significant influence, which is generally assumed with an interest between 20% and 49% (associates), are accounted for using the equity method. Joint ventures are also accounted for using the equity method. Besides the investment held, any voting rights distribution in place is also taken into account. Companies are accounted for using the equity method in proportion to the equity held. Proportionate earnings are recognized in profit or loss and added to the carrying amount. Dividend payments made by joint ventures and associates reduce their equity and are deducted from the carrying amount without affecting net income.

Gains from the disposal of a company consolidated at equity are reported under income from companies consolidated at equity.

The investment reported under other financial assets relates to a non-listed investment that has been measured at fair value using a discounted cash flow method in line with IFRS 9 since the previous year.

Loans are shown at cost or, in the case of non-interest-bearing loans, at their present value. Identifiable risks are taken into account by recognizing impairment losses.

Hyperinflation

For the FUCHS subsidiary in Argentina with the Argentinian peso as functional currency, the standard for hyperinflation (IAS 29) has been applied retrospectively since the previous year, i.e. as if the economy had already been hyperinflationary. The standard requires the adjustment of non-monetary assets and liabilities, equity and all items of the income statement using a price index for the measuring unit valid on the reporting date. There was an adjustment of equity of approximately €1 million (1). The effect on the current result is of immaterial significance. There are thus no significant effects on the FUCHS Group's net assets, financial position and results of operations. All amounts in the financial statements of the subsidiary were translated at reporting date rates.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial instruments are generally recognized on the settlement date. Derivatives are recognized on the day of trading.

When measuring financial instruments, a distinction is made between “amortized cost” and “fair value”. A further distinction is made between changes in fair value recognized in income and those recognized in other comprehensive income.

Financial assets

The classification and measurement of financial assets is based firstly on the cash flow condition (exclusively cash flows from interest and capital repayment). This means the specific form of the contractually agreed cash flows of an individual financial asset. Secondly they depend on the business model according to which the portfolios of financial assets are managed.

With the exception of forward currency transactions and the investment described below, both of which are carried at fair value, all other financial assets are measured at amortized cost, unchanged from the previous year, as they meet the cash flow criteria and the “Hold” business model. With the “Hold” business model, the financial assets are to be held to collect the contractual cash flows.

In respect to the classification and measurement of financial assets, one investment has been reported at fair value using a discounted cash flow method in line with IFRS 9 since the previous year. For this investment, which is not held for

trading as an unlisted equity instrument, the FUCHS Group utilizes the option of recognizing changes at fair value through other comprehensive income in the statement of comprehensive income.

Financial liabilities

- Financial liabilities to be measured at fair value through profit and loss: At the FUCHS Group, this category includes only derivatives (forward currency transactions) with a negative fair value. These are reported in other current liabilities.
- Other financial liabilities: these include trade payables (without advance payments), bank liabilities and some other liabilities. These are recognized at amortized cost, which generally corresponds to the repayable amount.

The categories and measurement of financial liabilities have not changed since the previous year.

For classifications of financial assets and financial liabilities, please refer to Note 31 – Financial instruments.

→ [132 Financial instruments](#)

In accordance with IFRS 9, impairment on financial assets which is not recognized at fair value in profit and loss must also be taken into account for expected credit losses. The extent is determined both by the credit risk of a financial

asset and by the change of the respective credit risk. If the credit risk of the financial asset has significantly increased since its initial recognition, then the expected lifetime credit losses of an asset are recognized. However, if the credit risk has not significantly increased in the stated period of time, then generally only the expected credit losses expected in the next twelve months are recognized as impairment.

In deviation from this method, in line with the planned simplified approach, for example on trade receivables, the expected lifetime credit losses are always reported as impairment. To calculate expected credit losses, discount rates calculated as a percentage are used. They reflect the customer sectors and the economic environment of the respective geographic region.

In addition, trade receivables and other financial assets not recognized at fair value in profit and loss, such as loans and other receivables and other financial assets, are tested for impairment individually if there are objective indications of impairment. If there is objective evidence for an impairment of the previously stated financial assets, an individual valuation adjustment is undertaken. When assessing the need for an impairment, past due payments as well as regional, sector and company-specific conditions are considered. In addition, use is made of external ratings as well

as the assessments of debt collection agencies and credit insurers when available. In this way, it can be ensured that all receivables and loans which are not of excellent credit quality are immediately impaired. Receivables and loans are derecognized when their uncollectibility is finally determined. If the reason for an impairment no longer exists, a write-up is recognized in profit or loss totaling not more than the amortized cost.

IFRS 9 also contains new regulations on the application of hedge accounting, to present the risk management activities of a company better, especially in respect to the management of non-financial risks.

Derivative financial instruments, such as the forward exchange transactions used by the Group, are recognized at fair value. Market values correspond to the expenses or income from a (theoretical) termination of the derivative agreements with effect from the end of the reporting period. The valuation of these financial instruments is based on generally recognized evaluation models and mathematical processes (present value method for forward exchange transactions) on the basis of current market data.

The FUCHS Group uses derivative financial instruments (derivatives) solely to limit the risks in its operating business and the resultant financial transactions arising from

fluctuations in interest rates and exchange rates. As in the previous year, all hedging instruments are recognized in profit or loss.

Revenue from interest-bearing assets is recognized on the outstanding receivables at the reporting date using the interest rates calculated under the effective interest method.

Detailed information on financial instruments can be found in the notes to the balance sheet under note 31.

→ [132 Financial instruments](#)

Deferred taxes

Deferred taxes are recognized for all temporary differences between tax base and IFRS accounting methods at the consolidated companies, and for consolidation measures which affect the income statement. Deferred tax assets essentially relate to tax effects on eliminated inter-company profits within the Group, particularly in the category of inventories, and to pension provisions. They also include tax credits which result from the expected use of loss carryforwards over subsequent years and which are likely to be realized with sufficient certainty. Deferred tax assets are subject to impairment if the realization of the tax claim is unlikely. Deferred tax liabilities mainly result from long-term asset depreciation differences between the Group's uniform depreciation rules and applicable tax

laws, as well as from measurement of assets at fair value pursuant to IFRS within the scope of acquisitions for which the values in the tax balance sheet differ. Deferred taxes are determined on the basis of tax rates to be applied or expected to be applied on the date of realization pursuant to the legislation in the countries involved. Deferred tax assets and liabilities are netted to the extent that they are handled by a single tax authority. The changes in deferred tax assets and liabilities are recognized through profit or loss. In cases where gains and losses are recognized outside profit or loss, tax assets and liabilities to be deferred in this context are also recognized outside profit or loss.

Inventories

Inventories comprise raw materials and supplies, work in progress and services, as well as finished products and merchandise. Inventories are measured at cost. If the market price or fair value of the sales product which forms the basis for the net realizable value is lower, then this is applied and an impairment charge recorded. Inventories are measured using the weighted average cost method. The manufacturing costs comprise production-related full costs, determined on the basis of standard capacity utilization.

Write-downs are effected to cover risks resulting from inventory coverage or reduced sale ability. Uniform write-down stipulations are in place throughout the Group for any cases in which certain shelf lives are exceeded.

Receivables and other assets

Receivables and other assets are accounted for at amortized cost. Identifiable risks are accounted for with appropriate valuation allowances. Individual allowances are recognized if receivables cannot be collected or if collection is unlikely. Non-interest-bearing receivables with terms of more than one year are discounted. Receivables in foreign currencies are measured with their respective exchange rates at the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents include securities with terms of less than three months. Cash and cash equivalents are measured at cost.

Pension provisions and similar obligations

The provisions for pensions are recognized using the projected unit-credit method in accordance with IAS 19. This method covers not only the pensions and acquired entitlements known at the end of the reporting period, but also future anticipated increases in pensions and salaries, with the relevant input factors being estimated. The calculation is based on actuarial expertise taking into account the relevant biometric factors. In Germany, the biometric data is based on the 2018 G mortality tables by Prof. Dr. Klaus Heubeck.

The pension obligations are shown net of plan assets at fair value (offset). Any asset surplus is reported in non-current assets.

The charges from forming pension provisions at the level of current service expenses are recognized in staff costs in the function categories. The interest on pension obligations and the interest income from plan assets are disclosed in the financial result.

The results of remeasurements of pension obligations/plan assets in the form of actuarial gains and losses are recognized in other comprehensive income in the statement of comprehensive income.

Contributions paid into defined contribution plans, for which no obligations other than the payment of contributions to assigned pensions funds apply, are recognized in profit or loss in the year in which they occur.

Other provisions

Other provisions are recognized if there is an obligation to third parties resulting from a previous event which can be expected to lead to outflows of funds, the level of which can be reliably determined. They represent uncer-

tain obligations which are recognized at best estimate levels to meet the respective obligation.

The values shown for provisions indicate those amounts which are required for covering future payment obligations, identifiable risks and uncertain liabilities of the Group. Possible price and cost increases are included in the measurement. If the amount of the provision can only be determined within a certain bandwidth, the most likely value is taken. In the case of equal probability, the mean average value is recognized. Non-current provisions with a remaining term of more than one year are discounted at market interest rates which correspond to the risk and the time period up to completion. Claims for reimbursement against third parties are not offset against the provisions, but rather recognized as a separate asset, insofar as their realization is virtually certain.

Liabilities

Liabilities are recognized in principal at amortized cost. Derivatives recognized with a negative fair value are an exception here.

Finance lease liabilities are reported at the present value of future lease payments and reported in other financial liabilities.

Notes to the income statement

1 Sales revenues

Sales revenues can be broken down by product groups as follows: → [Sales revenues](#)

The product area automotive lubricants particularly includes engine oils, gear oils and shock-absorber fluids. Sales revenues of this product area realized in relation to a point in time were at the previous year's level at €1,153 million (1,152) in the FUCHS Group. Its share in Group sales revenues was unchanged at 45 %.

The industrial lubricants and specialties product group mainly comprises metalworking fluids, corrosion preventatives, hydraulic and gear oils, greases, and other specialties. Sales revenues of this product group realized in relation to a point in time were at the previous year's level at €1,338 million (1,343) in the FUCHS Group. At 52 % (52), this group represents the largest share of Group sales revenues.

Sales revenues

	EMEA		Asia-Pacific		North and South America		FUCHS Group	
	in € million	in %	in € million	in %	in € million	in %	in € million	in %
2019								
Automotive lubricants	668	46	411	57	74	18	1,153	45
Industrial lubricants and specialties	701	49	300	42	337	81	1,338	52
Other products	68	5	7	1	6	1	81	3
	1,437	100	718	100	417	100	2,572	100

	EMEA		Asia-Pacific		North and South America		FUCHS Group	
	in € million	in %	in € million	in %	in € million	in %	in € million	in %
2018								
Automotive lubricants	672	46	409	58	71	17	1,152	45
Industrial lubricants and specialties	715	49	296	42	332	82	1,343	52
Other products	67	5	1	0	4	1	72	3
	1,454	100	706	100	407	100	2,567	100

Other products mainly include toll blending, chemical process management and trade activities. The share in the FUCHS Group was at the same level as compared to the previous year at €81 million (72) or 3 % (3).

3.2 Notes to the consolidated financial statements

2 Cost of sales

in € million	2019	2018
Cost of purchased raw materials, supplies, goods for resale and purchased services	1,501	1,497
Cost of materials	1,501	1,497
Staff costs	92	88
Depreciation and amortization of property, plant and equipment and intangible assets	31	25
Third-party services	23	23
Maintenance costs	15	15
Energy costs	12	11
Other costs	8	9
	1,682	1,668

3 Selling and distribution expenses

in € million	2019	2018
Staff costs	172	164
Freight	98	97
Travel expenses	15	15
Marketing costs	15	15
Commission payments	11	10
Third-party services	17	16
Rental and lease expenses	5	11
Depreciation and amortization of property, plant and equipment and intangible assets	27	21
Maintenance costs	4	4
Other taxes	2	1
Other costs	13	12
	379	366

Marketing costs also include expenses for automotive and motorbike sponsoring, participation in trade fairs, advertising materials, promotional gifts, and advertisements. Third-party services comprise distribution services, trademark management and pro rata costs for the operation of the data center and the ERP systems. Other costs include pro rata costs of communication and pro rata insurance premiums.

4 Administrative expenses

in € million	2019	2018
Staff costs	77	73
Third-party services	14	13
Depreciation and amortization of property, plant and equipment and intangible assets	11	8
Audit and consultancy costs	7	7
Other taxes	4	4
Rental and lease expenses	1	3
Travel expenses	4	4
Maintenance costs	3	3
Other costs	13	12
	134	127

Third-party services also comprise the costs of trademark and brand management, as well as pro rata costs for the operation of the data center and the ERP systems. Other costs include pro rata communication costs and pro rata insurance premiums.

5 Other operating income and expenses

This item includes all operating income and expenses that cannot be allocated directly to the functions.

3.2 Notes to the consolidated financial statements

Other operating income and expenses

in € million	2019	2018
Income from		
Currency exchange gains	6	9
Reversal of provisions	2	1
Licenses and own work capitalized	2	2
Reversals of write-downs of receivables	2	2
Income from the disposal of fixed assets	0	0
Government compensation and cost subsidies in China	9	0
Miscellaneous operating income	9	11
Other operating income	30	25
Currency exchange losses	6	9
Write-downs of receivables	8	3
Restructuring costs and severance payments	3	1
Losses from the disposal of fixed assets	1	0
Impairments on goodwill	6	0
Past service cost pension obligations	1	1
Disposed carrying amounts from closed plant in China	7	0
Miscellaneous operating expenses	10	8
Other operating expenses	42	22
Other operating income and expenses	-12	3

Miscellaneous operating income includes refund claims and income from other sales and services.

Write-downs of receivables include irrecoverable receivables of €3 million (1).

Impairment on goodwill relates to our subsidiary in Sweden. Please refer to note 13 for further information.

→ [112 Intangible assets](#)

Miscellaneous operating expenses also include purchase costs for other sales, license expenses, as well as provisions for risks from non-operating items, such as environmental commitments, provisions for transfer taxation risks and legal and litigation costs.

6 Income from companies consolidated at equity

Earnings from companies consolidated at equity includes the pro rata earnings from joint ventures and associated companies.

Income from companies consolidated at equity

in € million	2019	2018
Income from companies consolidated at equity	11	26

In the previous year, income from companies consolidated at equity was positively impacted by a one-off effect of €12 million from the sale of a 50% share in an investment. More information is provided in note 15 "Shares in companies consolidated at equity."

→ [119 Shares in companies consolidated at equity](#)

7 Financial result

in € million	2019	2018
Other interest and similar income		
Other (mainly banks)	1	1
Interest income	1	1
Interest and similar expenses		
Other (mainly banks)	-3	-2
from leases	-1	0
Pension obligations		
Interest expense	-3	-3
Interest income from plan assets	2	2
Interest expenses	5	3
Financial result	-4	-2

8 Income taxes

Taxes on income comprise income taxes paid or payable in the various countries, plus deferred taxes. The calculation of deferred taxes is based on the tax rates expected to apply in the various countries at the time of realization, based on the tax laws applicable or passed at the end of the reporting period.

Income taxes

in € million	2019	2018
Current taxes	91	97
thereof Germany	44	47
thereof international	47	50
Deferred taxes	-2	-4
thereof Germany	-2	-1
thereof international	0	-3
Total	89	93

Current taxes comprise €0 million (1) in tax income for previous financial years.

The German tax rate is based on the corporation tax rate of 15.8% (15.8) and includes the solidarity surcharge of 5.5%. Including trade tax of 15.1% (15.1), the total tax burden in Germany is about 30.9% (30.9).

Profits generated by our companies outside Germany are taxed at the respective local rates. The tax rates applied in these individual countries for calculating deferred taxes are between 10% (10) and 34% (34).

Tax assets and liabilities are netted to the extent that they relate to the same taxation authority and may be offset.

The difference between anticipated and recognized income tax expense is attributable to the following:

Tax reconciliation

in € million	2019	in %	2018	in %
Earnings before tax (EBT)	317		381	
Expected tax expense	98	31.0	118	31.0
Taxation rate differences	-13	-4.1	-19	-5.0
Non-deductible expenses	4	1.2	4	1.1
Tax-free income	0	0.0	0	0.0
Income from companies consolidated at equity	-3	-1.0	-8	-2.1
Taxes for prior periods	-2	-0.6	-3	-0.8
Withholding taxes	3	1.0	2	0.5
Other	2	0.6	-1	-0.3
Reported tax expense	89	28.1	93	24.4

The reported tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 28.1% (24.4). The Group's tax rate adjusted for income from companies consolidated at equity is 29.1% (26.2).

9 Non-controlling interests

Profits attributable to non-controlling interests of €0 million (0) relate to shareholders in Austria, Chile, Greece and France.

10 Earnings per share

in € million	2019	2018
Profit attributable to shareholders of FUCHS PETROLUB SE	228	288
Earnings per ordinary share in €		
Earnings per share	1.63	2.06
Weighted average number of ordinary shares	69,500,000	69,500,000
Earnings per preference share in €		
Earnings per share	1.64	2.07
Weighted average number of preference shares	69,500,000	69,500,000

Pursuant to IAS 33, the additional dividend of €0.01 per share to be distributed to preference shareholders is allocated in advance. The remainder of the Group's earnings after tax and non-controlling interests is distributed on a weighted basis among the two share classes.

Diluted earnings per share are the same as basic earnings per share.

11 Other taxes

The reported figure of €7 million (6) relates to non-income taxes, which are included in the operating function costs. €5 million (4) of this amount is attributable to foreign Group companies in Argentina, China, France, Great Britain, and the USA.

12 Staff costs / employees

Staff costs

in € million	2019	2018
Wages and salaries	314	302
Social security contributions and expenses for pensions and similar obligations	62	56
thereof for pensions	10	8
	376	358

Staff costs of €92 million (88) are attributable to cost of sales, €172 million (164) to selling and distribution expenses, €77 million (73) to administrative expenses and €35 million (33) to research and development expenses.

For ordinary shares with a value of €0.6 million (0.6), which were offered for sale to entitled employees in Germany at preferential conditions within the context of the employee share program, there were expenses of €0.1 million (0.1).

Employees

Annual average	2019	2018
EMEA	3,804	3,683
Asia-Pacific	931	871
North and South America	712	671
Holding companies	126	114
Number of employees	5,573	5,339
thereof trainees	136	123

The average number of employees includes trainees.

Notes to the balance sheet

13 Intangible assets

Development of intangible assets in 2019

in € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec 31, 2018	194	224	0	418
Currency exchange differences	2	0	0	2
Additions from acquisitions	5	5	0	10
Additions	0	2	1	3
Disposals	0	-2	0	-2
Reclassifications	0	0	0	0
Dec 31, 2019	201	229	1	431
Accumulated amortization				
Dec 31, 2018	20	119	0	139
Currency exchange differences	0	0	0	0
Scheduled amortization	0	19	0	19
Impairment losses	6	0	0	6
Disposals	0	-2	0	-2
Reclassifications	0	0	0	0
Dec 31, 2019	26	136	0	162
Net value as of Dec 31, 2019	175	93	1	269

3.2 Notes to the consolidated financial statements

Development of intangible assets in 2018

in € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec 31, 2017	193	214	1	408
Currency exchange differences	0	1	0	1
Additions from acquisitions	1	1	0	2
Additions	0	5	1	6
Disposals	0	0	0	0
Reclassifications	0	3	-2	1
Dec 31, 2018	194	224	0	418
Accumulated amortization				
Dec 31, 2017	20	101	0	121
Currency exchange differences	0	0	0	0
Scheduled amortization	0	18	0	18
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Dec 31, 2018	20	119	0	139
Net value as of Dec 31, 2018	174	105	0	279

Goodwill of the cash-generating units

Overview of the goodwill

in € million	2019	2018
FUCHS CORPORATION, USA (subgroup)	90	88
FUCHS SCHMIERSTOFFE GMBH, Germany	43	43
14 other (previous year: 14) cash-generating units	42	43
Goodwill	175	174

Goodwill is not subject to any amortization, but undergoes an impairment test at least once a year in line with IAS 36 and also whenever there are indications of an impairment. Impairment losses are recognized as and when appropriate.

An impairment is to be recognized if the carrying amount of the cash-generating unit's net assets, including assigned goodwill, exceeds the recoverable amount. A cash-generating unit is generally formed by a subsidiary. The recoverable amount was determined using the concept of value in use. A discounted cash flow method is used to determine the value in use. The subsidiaries' mid-term planning, which consists of the budget plan 2020 and generally the

planning years 2021 and 2022, was used as the basis for cash flow planning. The planning is based on past experience, the current operating results, and the best possible estimate of corporate management regarding future developments. The projected figures are based on detailed individual budgets and their extrapolation. These incorporate growth rate assumptions, which take into account the conditions in the local sales markets at the time of budget drafting, current expectations regarding price trends in the procurement markets and inflation expectations. Alongside inflation and country risks, local taxation rates are also considered in the discount rate.

For the time period following mid-term planning, a terminal value is extrapolated based on the last detailed planning year. When determining the terminal value, country-specific growth rates of 0.5% (0.5) to 1.0% (1.0) are taken into account to consider inflation-based growth. The impairment tests performed for FUCHS CORPORATION and FUCHS SCHMIERSTOFFE GMBH are based on the assumption of a long-term, country-specific growth rate of 0.5% (0.5).

The discount rate is a weighted average cost of capital (WACC), which is made up of the costs of borrowed capital and equity capital weighted with the capital structure. The shareholders' equity costs are determined from cap-

ital market data using the Capital Asset Pricing Model (CAPM) and are made up of a risk-free interest rate and a risk premium (consisting of the market risk premium and beta factor). When determining the value in use of the individual cash-generating units, discount rates of 7% (7) to 13% (13) after taxes were applied, taking into account country-specific risks. Discount rates before tax range from 9% (9) to 18% (16). A weighted cost of capital of 8% (7) and 7% (7) after taxes or 11% (9) and 10% (10) before taxes was taken into account in the impairment tests performed for FUCHS CORPORATION and FUCHS SCHMIERSTOFFE GMBH.

At FUCHS LUBRICANTS SWEDEN AB, Stockholm, Sweden, impairment of €6 million (0) was recognized on goodwill in the financial year 2019 in view of declining earnings. At €66 million, the recoverable amount determined for this cash-generating unit was below the carrying amount. One key assumption relevant to cash flow is the replacement of the rented plant by the newly constructed plant, which is expected to be completed in 2020. Due to the construction of the new plant, the detailed planning period has been extended to five years. The planning years from 2021 onward include positive cash flows from the optimization of production. In the impairment test a weighted average cost of capital of 7.0% (7.0) after taxes and a growth rate of 0.5% (0.5) were used.

Impairments are reported in other operating expenses.

Sensitivity calculations were made to account for assessment uncertainties. Firstly, a 20% reduction of future cash flows was assumed here. Secondly, the weighted average cost of capital was increased by one percentage point. In both cases, no additional impairment would arise.

Other intangible assets

These consist mainly of acquired customer relationships, technologies, formulas, and trademark rights as well capitalized licenses for computer software. Customer relations acquired through acquisitions over the last five years have a residual book value of around €61 million (67). Their remaining useful life is generally between 6 and 9 years (between 7 and 10 years).

Advance payments on intangible assets

Intangible assets also comprise advance payments of €1 million (0).

14 Property, plant and equipment

→ [# 116 Development of property, plant and equipment](#)

Additions in 2019 are essentially related to the locations in Germany, USA, China and Sweden.

Government grants of €20 million received in previous years for the construction of the new plant in Wujiang, China, were offset against additions of €20 million to assets under construction in 2018.

3.2 Notes to the consolidated financial statements

Development of property, plant and equipment in 2019

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Acquisition and manufacturing costs (gross)					
Dec 31, 2018	343	372	151	59	925
Currency exchange differences	4	6	1	1	12
First-time application of IFRS 16	17	0	7	0	24
Additions from acquisitions	0	2	0	0	2
Additions	17	26	18	97	158
minus government grants	0	-1	0	0	-1
Adjustment for hyperinflation	1	0	0	0	1
Disposals	-15	-19	-7	0	-41
Reclassifications	6	32	4	-42	0
Other changes	-1	0	0	0	-1
Dec 31, 2019	372	418	174	115	1,079
Accumulated amortization					
Dec 31, 2018	96	206	102	0	404
Currency exchange differences	2	4	1	0	7
Scheduled amortization	15	23	16	0	54
Impairment losses	0	0	0	0	0
Adjustment for hyperinflation	1	0	0	0	1
Disposals	-8	-19	-7	0	-34
Reclassifications	0	0	0	0	0
Dec 31, 2019	106	214	112	0	432
Net value as of Dec 31, 2019	266	204	62	115	647

3.2 Notes to the consolidated financial statements

Development of property, plant and equipment in 2018

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Acquisition and manufacturing costs (gross)					
Dec 31, 2017	310	336	148	57	851
Currency exchange differences	-1	-2	-1	0	-4
Additions	19	23	17	56	115
minus government grants	0	0	0	-20	-20
Adjustment for hyperinflation	2	1	0	0	3
Disposals	-3	-5	-11	0	-19
Reclassifications	16	19	-2	-34	-1
Dec 31, 2018	343	372	151	59	925
Accumulated amortization					
Dec 31, 2017	88	189	103	0	380
Currency exchange differences	0	0	0	0	0
Scheduled amortization	9	21	10	0	40
Impairment losses	0	0	0	0	0
Adjustment for hyperinflation	1	1	0	0	2
Disposals	-2	-5	-11	0	-18
Reclassifications	0	0	0	0	0
Dec 31, 2018	96	206	102	0	404
Net value as of Dec 31, 2018	247	166	49	59	521

3.2 Notes to the consolidated financial statements

Leases

The division between owned and leased property, plant and equipment is as follows:

Division between owned and leased property, plant and equipment

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Owned property, plant and equipment	249	204	55	115	623
Leased property, plant and equipment	17	0	7	0	24
Carrying amount Dec 31, 2019	266	204	62	115	647

Depreciation, additions and other changes in leased property, plant and equipment break down by asset class as follows:

Additions, depreciation and other changes in leased property, plant and equipment

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Carrying amount of leased property, plant and equipment as of Jan 1, 2019	17	0	7	0	24
Additions in 2019	4	0	3	0	7
Depreciation in 2019	-5	0	-3	0	-8
Other changes 2019	1	0	0	0	1
Carrying amount Dec 31, 2019	17	0	7	0	24

3.2 Notes to the consolidated financial statements

The breakdown of discounted and non-discounted lease liabilities by maturity is shown in the following table:

Discounted and non-discounted lease liabilities

in € million	Discounted lease liabilities Dec 31, 2019	Non-discounted lease liabilities Dec 31, 2019
Due within one year	8	8
Due after between one and five years	11	12
Due after more than five years	3	3
Total	22	23

The amounts from the income statement that are attributable to leases are shown in the following table:

Leases in the income statement

in € million	2019
Depreciation and amortization	8
Interest expenses	1
Short-term leases with a term of up to 12 months	6
Low-value leases	0
Other expenses that were not included in the lease liability	2

The amounts from the cash flow statement that are attributable to leases are shown in the following table:

Leases in the cash flow statement

in € million	2019
Depreciation and amortization	8
Repayment of financial liabilities from leases	8
Interest expenses	1

Lease payments in connection with short-term leases, leases of low-value assets and other payments that were not included in the lease liability still continue to be reported in cash flow from operating activities.

Future non-recognized lease payments

Future lease-related payments are not included in the measurement of lease liabilities on the basis of IFRS 16 provisions. There are future payments from leases that have not begun but have already been contracted, as well as for short-term leases with a term of 12 months or less and for low-value leases. However, these are not material for the FUCHS Group.

15 Shares in companies consolidated at equity

This item is made up of five (four) companies consolidated at equity. For the measurement using the equity method, the proportionate equity was determined on the basis of financial statements as of December 31, 2019, prepared in accordance with the respective national legislation and adapted in line with the requirements of IFRS.

Please refer to the list of shareholdings under note 38 for information on the composition of joint ventures and associates.

→ [145 Shareholding](#)

The following table shows the development of shares in companies consolidated at equity:

Shares in companies consolidated at equity

in € million	2019	2018
Carrying amount of shares in companies consolidated at equity on January 1	38	37
Disposal of carrying amount of a 50% shareholding	0	-3
Pro rata earnings after tax	11	14
Pro rata dividends received	-2	-2
Pro rata other comprehensive income	0	-8
Carrying amount of shares in companies consolidated at equity on December 31	47	38

3.2 Notes to the consolidated financial statements

The following table shows the breakdown of the income from companies consolidated at equity:

Income from companies consolidated at equity

in € million	2019	2018
Pro rata earnings after tax	11	14
Income on disposal of a company consolidated at equity	0	12
Income from companies consolidated at equity	11	26

In the previous year, income from companies consolidated at equity was positively impacted by an one-off effect of €12 million from the sale of a 50% share in an investment.

The following table shows summarized earnings data and the carrying amount for one immaterial joint venture:

Carrying amount and summarized earnings of the joint venture

in € million	2019	2018
Carrying amount of joint venture accounted for using the equity method	21	20
Earnings after tax	6	10
Pro rata earnings after tax	3	5
Pro rata other comprehensive income	-2	-5
Pro rata comprehensive income after tax	1	0

The following table shows a summary of earnings and the carrying amount for the four (previous year: three) associates, which are immaterial when taken separately:

Carrying amount and summarized earnings of associates

in € million	2019	2018
Carrying amount of associates accounted for using the equity method	26	18
Earnings after tax	23	20
Pro rata earnings after tax	8	9
Pro rata other comprehensive income	2	-3
Pro rata comprehensive income after tax	10	6

16 Other financial assets

in € million	2019	2018
Investments in companies	7	7
Other loans	1	1
	8	8

One non-listed investment has been measured at fair value using a discounted cash flow method in line with IFRS 9 since the previous year.

In accordance with their financing nature, the non-current portion of the receivables relating to delivery agreements in France of €1 million (1) is reported in other loans.

17 Deferred tax assets and liabilities

The recognized deferred taxes result from the following measurement differences and items:

Deferred tax assets and liabilities

in € million	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Property, plant and equipment	2	2	23	15
Other non-current assets	4	3	22	23
Inventories	13	12	0	0
Other current assets	4	2	3	1
Non-current provisions	13	10	1	1
Other non-current liabilities	3	0	5	7
Current provisions and liabilities	13	11	1	1
Expected use of losses carried forward	0	0	0	0
Total deferred tax assets / liabilities	52	40	55	48
Tax offset	-23	-14	-23	-14
Total assets / liabilities	29	26	32	34

3.2 Notes to the consolidated financial statements

The total amount of deferred tax assets of €29 million (26) is essentially attributable to measurement differences between the inventory items (elimination of intercompany profits), other current assets, pension obligations and current provisions, and current and non-current liabilities in the IFRS balance sheet and their tax base. The deferred tax liabilities of €32 million (34) are essentially the result of temporary measurement differences (different depreciation methods and useful lives) between the IFRS balance sheet and their tax base in property, plant and equipment, as well as from the measurement of assets at fair value pursuant to IFRS within the scope of acquisitions, for which the values in the tax balance sheet differ. The increase in deferred tax liabilities on property, plant and equipment and the increase in deferred tax assets on current and non-current liabilities in 2019 mainly resulted from the gross presentation of rights of use and lease liabilities in accordance with IFRS, for which there were no tax balance sheet figures.

Tax loss carryforwards in the Group amount to €5 million (3). €4 million (2) thereof is attributable to the EMEA

region (excluding Germany), while €1 million (1) is attributable to the Asia-Pacific region. The deferred tax assets of €1 million (1) recognized in this connection were subject to impairment losses of €1 million (1), as it is unlikely that loss carryforwards will be utilized in the foreseeable future.

A deferred tax liability of €5 million (6) was recognized for future tax charges associated with planned dividend payments from foreign subsidiaries. In addition, no deferred tax liabilities were recognized on temporary differences of €22 million (17) relating to investments in subsidiaries, as it is not likely that the temporary differences will reverse in the foreseeable future.

The change in the net amount of deferred taxes was €5 million (3) in the year under review. Taking into account deferred taxes for the financial year 2019, which are recognized outside profit or loss and result from the allocation of pension obligations of €3 million (0), income from deferred taxes of €-2 million (-4) was reported in the income statement after allowing for currency effects.

18 Inventories

The reported inventories comprise the following:

Composition of inventories

in € million	Dec 31, 2019	Dec 31, 2018
Raw materials and supplies	148	155
Work in progress	22	25
Finished goods and merchandise	211	230
	381	410

Write-downs of inventories totaling €5 million (1) were recognized in profit or loss in the year under review due to reduced sale ability. At the end of the reporting period, the residual carrying amount of inventories that were written down amounted to €7 million (5).

19 Trade receivables**Composition of receivables**

in € million	Dec 31, 2019	Dec 31, 2018
Receivables due from customers	379	377
Receivables due from joint ventures and associates	2	2
	381	379

Write-downs of trade receivables, which consist of expected credit losses and individual allowances, developed as follows:

Development of write-downs

in € million	2019	2018
Impairments as of December 31 (previous year)	11	11
Other comprehensive income adjustments in line with IFRS 9 as of January 1, 2018	0	1
Currency exchange differences	0	0
Additions	5	2
Utilization	-1	-1
Reversals	-1	-2
Impairments as of December 31	14	11

In the previous year, the first-time application of IFRS 9 resulted in an increase of €1 million in write-downs of trade receivables at the transition date as of January 1, 2018, which was offset against retained earnings after taking deferred taxes of rounded €0 million into account.

The following table provides information on the extent of credit risks in the trade receivables as of December 31, 2019, and December 31, 2018:

3.2 Notes to the consolidated financial statements

Receivables by maturity as of December 31, 2019

in € million	EMEA	Asia-Pacific	North and South America	FUCHS Group
Not yet due	165	114	40	319
Overdue:				
less than 30 days	23	10	10	43
30 to 90 days	9	3	5	17
91 to 180 days	4	2	1	7
181 to 360 days	3	0	0	3
more than 360 days	5	1	0	6
Total gross receivables	209	130	56	395
Minus expected credit losses (range in %)	0.25 – 4.00	0.50 – 2.00	0.50 – 2.50	
Minus expected credit losses	-2	-1	0	-3
Minus individually assessed allowances	-7	-1	-3	-11
Trade receivables	200	128	53	381

Receivables by maturity as of December 31, 2018

in € million	EMEA	Asia-Pacific	North and South America	FUCHS Group
Not yet due	173	103	42	318
Overdue:				
less than 30 days	20	10	12	42
30 to 90 days	9	5	3	17
91 to 180 days	2	1	1	4
181 to 360 days	2	1	0	3
more than 360 days	4	1	1	6
Total gross receivables	210	121	59	390
Minus expected credit losses (range in %)	0.25 – 4.25	0.25 – 2.00	0.50 – 1.50	
Minus expected credit losses	-2	-1	0	-3
Minus individually assessed allowances	-5	-2	-1	-8
Trade receivables	203	118	58	379

Receivables can become impaired if customers do not meet their payment obligations. In the FUCHS Group, supplies are made primarily to commercial customers (B2B customers). In the context of the simplified approach for trade receivables, the lifetime credit losses are always used for impairment.

To calculate expected credit losses the largest part of the gross receivables which are not due, and gross receivables, which are up to 180 days past due, can be combined in a risk class with low credit risk. To calculate expected credit losses for this risk class, discount rates calculated as a percentage are used. They reflect the customer sectors and the economic environment of the respective geographic region on the basis of historical data and future expectations. Furthermore, if there is objective evidence for impairment, an individual valuation adjustment is undertaken.

Gross receivables which are more than 181 to 360 days past due and more than 360 days past due are combined into a second risk class with a higher credit and default risk. Individual value adjustments are made for this risk class if there are objective indications of impairment, e. g. for customers in financial difficulties. In addition, individually assessed allowances are made in line with how past due the receivables are.

20 Current tax receivables (income tax)

This item comprises tax refund claims which are mainly attributable to Australian, Germany, Italian, Swedish, American and South African income taxes.

21 Other receivables and other assets

Other current receivables and assets

in € million	Dec 31, 2019	Dec 31, 2018
Other taxes	15	11
Sundry other assets	17	17
	32	28

At €11 million (8), other taxes mainly include VAT receivables.

The Group's sundry other assets include the current portion of customer loans of €2 million (2) in connection with delivery agreements in France. The non-current portion of these loans is reported in other non-current financial assets. In addition to this, other assets include forward currency transactions with positive fair values of €0 million (0). Other assets also include advance rental payments, prepaid expenses, refund claims, and other customer

loans, and receivables from other sales. Total impairments of €3 million (3) are taken into account here.

Other non-current receivables and assets

Other non-current receivables and assets amount to €1 million (1).

22 Cash and cash equivalents

Cash and cash equivalents of €219 million (195) comprise bank deposits, cash in hand, checks and bills of exchange not yet presented, and securities of €32 million (120) with a maturity of less than three months.

23 Total equity

Solid capital resources are indispensable for the company's continued existence as a going concern. Gearing (the ratio of financial liabilities and pension provisions less cash and cash equivalents to shareholders' equity) and the equity ratio are important indicators of the capital structure.

Subscribed capital

The issued and fully paid capital of FUCHS PETROLUB SE remained unchanged in the reporting year.

The shares of FUCHS PETROLUB SE are bearer shares. Each ordinary share carries one vote at the Annual General Meeting. The preference shares carry no voting rights, except in cases prescribed by law. In accordance with the

Articles of Association, each preference share receives a share in profits of €0.01 per share compared to an ordinary share.

The number of outstanding shares is:

Number of outstanding shares

Number of shares	Dec 31, 2019	Dec 31, 2018
69,500,000 ordinary shares at €1.00	69,500,000	69,500,000
69,500,000 preference shares at €1.00	69,500,000	69,500,000
Total	139,000,000	139,000,000

Group reserves

This item consists of the capital reserves of FUCHS PETROLUB SE (agio), the unappropriated profits and currency reserves as well as the remeasured net debt resulting from the defined pension obligations of the companies included in the consolidated financial statements. The unappropriated profits contain the profits generated in the past to the extent that these were not distributed. Differences arising from the translation of the financial statements of foreign subsidiaries, joint ventures and associates accounted for using the equity method are recognized outside profit or loss and carried under currency reserves.

Group profits

Group profits correspond to the Group's earnings after taxes and non-controlling interests.

Proposal for the appropriation of profits at FUCHS PETROLUB SE

The Executive Board will recommend to the Supervisory Board that it proposes the following dividend at the 2020 Annual General Meeting: €0.96 per ordinary share entitled to dividend payments and €0.97 per preference share entitled to dividend payments. Dividends of €0.94 per ordinary share and €0.95 per preference share were paid in 2019.

Non-controlling interests

This item contains the equity and earnings of consolidated subsidiaries attributable to non-controlling interests. An amount of €1 million (1) relates to shareholders in Austria, Chile, France and Greece.

24 Pension provisions

Pension provisions are recognized for obligations arising from entitlements to future benefits and from current benefits paid to former employees of the FUCHS Group and their surviving dependents. The occupational pension plans in place within the Group are financed by provisions and funds and consist of defined contribution and defined benefit plans.

The defined benefit obligation is reduced by the fair value of the plan assets. Changes resulting from the remeasurement of net debt are recognized outside profit or loss in the period in which they occur and are offset against Group reserves. These adjustments are set out in the statement of changes in equity of the Group.

→ [90 Statement of changes in equity](#)

In Germany, measurement is based on the following assumptions:

Valuation assumptions Germany

in %	2019	2018
Discount rate	1.0	1.9
Salary trend	2.5	2.5
Pension trend	1.5	1.5

The obligations of companies outside Germany are determined according to the country-specific accounting regulations and parameters. The mean values are calculated on a weighted basis.

Valuation assumptions outside Germany

in %	2019	2018
Discount rate	from 0.4 to 8.0	from 1.1 to 8.8
Average discount rate	1.9	2.6
Salary trend	from 1.0 to 9.0	from 1.5 to 9.0
Average salary level trend	2.0	2.3
Pension trend	from 1.5 to 6.5	from 0.1 to 7.0
Average pension level trend	2.1	2.4

Taking into account the basis of measurement described above, the funding status of the pension obligations is as follows:

Funding status of the pension obligations

in € million	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Present value of benefit obligations financed by funds in Germany	82	73	74	79	69
Present value of benefit obligations financed by funds outside Germany	64	52	54	54	49
Present value of benefit obligations financed by provisions in Germany	1	1	1	1	5
Present value of benefit obligations financed by provisions outside Germany	7	6	7	6	6
Total defined benefit obligations	154	132	136	140	129
Fair value of plan assets in Germany	61	63	64	63	58
Fair value of plan assets outside Germany	58	45	47	43	38
Funding status	35	24	25	34	33
Similar obligations	1	1	1	1	0
Net obligation as of December 31	36	25	26	35	33
Disclosures in the balance sheet:					
Pension provision	36	25	26	35	33

3.2 Notes to the consolidated financial statements

The key pension plan provisions are described in the following:

In Germany, defined benefit occupational pension provision plans are in place for some of the employees working for German Group companies. The benefits are generally based on the term of employment and fixed amounts or the final salary of the beneficiary. The benefits comprise an old-age pension, disability pension and survivors' pension. German defined benefit pension plans have been discontinued since 1983. In 2011, the German pension obligations financed by provisions were transferred almost entirely to the external pension provider ALLIANZ. In 2016, €4 million in other German pension obligations that were previously financed with provisions were transferred to the external pension provider ALLIANZ. Since then, they have been reported under pension obligations funded by pension plans. The remaining amount is funded by provisions. The transfer comprised a combined model, made up of transfers of vested benefits in the ALLIANZ pension fund and future benefits yet to be vested in the ALLIANZ relief fund.

In addition, employee-financed pension obligations from the deferred compensation program are also in place in Germany. As of December 31, 2019, pension obligations amounted to €7 million (6), which were offset against

assets of €6 million (5) in the consolidated balance sheet. The €1 million (1) balance made up of obligations and assets is reported in similar obligations.

If occupational pension plans are in place at Group companies outside Germany, these are fund-financed provision systems with "defined benefit" commitments and, in some cases, "defined contribution" commitments.

Meanwhile, contribution-based systems have been introduced for new pension commitments in the USA and the United Kingdom. Existing defined benefit obligations in the US were frozen in 2009 and transferred to a defined contribution system. The plan termination and payment of these balances in the USA took place already in 2011.

The pension obligations financed by funds outside Germany primarily concern our company in the United Kingdom. The occupational pension provision schemes based on defined benefit obligations arise from a performance-based provision plan based on years of service and final salary, which is now closed. The benefits comprise an old-age pension and survivors' pension. These are financed via a fund, which is independent from the company. The fund manager is legally obliged to act in the interests of the beneficiaries, and specifies the goals and strategies of the fund, for example the investment policy, premium contributions or indexing. Both employers and employees contribute to the fund.

The following table shows the development in the present value of benefits obligations:

Pension obligations

in € million	2019	2018
Present value as of January 1	132	136
Currency effects	3	-2
Current service cost	3	3
Interest expense	3	3
Remeasurements		
Actuarial losses (previous year: gains) due to financial assumptions	17	-5
Actuarial gains (previous year: losses) due to demographic assumptions	-1	1
Actuarial losses from experience adjustments	1	0
Benefits paid	-5	-5
Past service cost (Germany, previous year: United Kingdom)	1	1
Present value as of December 31	154	132
Netting with plan assets	119	108
Funding status	35	24
Similar obligations	1	1
Pension provisions as of December 31	36	25

Sensitivity analyses

If all other assumptions remained constant, a change of 0.5 percentage points to the discount rate and a change of 0.25 percentage points to the wage/salary or pension developments would have had the following effects on the present value of pension obligations as of December 31, 2019 (December 31, 2018):

Sensitivity analyses

Effects (in € million) on the present value of defined pension obligations due to

	Germany	International	Total
Change in discount rate			
Increase by 0.5 percentage points	-6 (-5)	-6 (-5)	-12 (-10)
Decrease by 0.5 percentage points	7 (6)	6 (5)	13 (11)
Change in anticipated wage/salary developments			
Increase by 0.25 percentage points	0 (0)	1 (1)	1 (1)
Decrease by 0.25 percentage points	0 (0)	-1 (-1)	-1 (-1)
Change in anticipated pension developments			
Increase by 0.25 percentage points	2 (1)	2 (1)	4 (2)
Decrease by 0.25 percentage points	-3 (-1)	-1 (-1)	-4 (-2)

As of December 31, 2019, the weighted average term of defined benefit obligations was 15 years (14.4) for plans in Germany and 18 years (19) for plans outside Germany.

Additional life expectancy of one year would lead to an increase in the present value of pension obligations of €4 million (3); €2 million (2) thereof is attributable to plans in Germany and €2 million (1) to plans outside Germany.

Plan assets developed as follows:

Development of plan assets

in € million	2019	2018
Fair value as of January 1	108	111
Currency effects	3	0
Interest income from plan assets	2	2
Current contributions	5	4
Benefits paid	-5	-5
Remeasurements		
Actuarial gains (previous year: losses) due to financial assumptions	6	-4
Fair value as of December 31	119	108

Net pension provisions developed as follows:

Development of net pension provisions

in € million	2019	2018
Net pension provisions as of January 1	24	25
Currency effects	0	-2
Current service cost	3	3
Interest expense	3	3
Interest income from plan assets	-2	-2
Current contributions	-5	-4
Remeasurements		
Actuarial losses (previous year: gains) from pension obligations	17	-4
Actuarial gains (previous year: losses) from plan assets	-6	4
Benefits paid	0	0
Past service cost (Germany, previous year: United Kingdom)	1	1
Net provisions as of December 31	35	24
Similar obligations	1	1
Pension provisions as of December 31	36	25

The fair value of the plan assets is spread over the following asset classes:

→ [# 129 Asset classes of the plan assets](#)

3.2 Notes to the consolidated financial statements

German plan assets are financed only with insurance policies provided by ALLIANZ Lebensversicherung. The return on plan assets for the year 2019 was based on the discount rate of 1.9% (1.8). The actual return on plan assets calculated was 1.4% (3.3). A limited risk of a supplementary financing requirement can occur due to the selected ALLIANZ insurance tariff (risk/opportunity portfolio) in the event of a decrease in the overall interest rate.

The plan assets in the United Kingdom comprise equity instruments, debt instruments and cash. The return on plan assets was based on an average rate of 2.8% (2.5). The actual return on plan assets averaged 18% (–5.8).

Total current contributions of €4 million (4) are budgeted for 2020 in Germany and abroad. Statutory minimum funding requirements are taken into account in the United Kingdom. FUCHS LUBRICANTS UK has made a commitment to make annual payments of at least €2 million (2), with an annual rate of increase of 3%, into the fund from December 31, 2013, for a period of 7 years and 10 months.

Asset classes of the plan assets

in € million	December 31, 2019			December 31, 2018		
	Market price quotation in an active market	No market price quotation in an active market	Total	Market price quotation in an active market	No market price quotation in an active market	Total
Insurance policies		61	61		63	63
Equity instruments	47		47	35		35
Debt instruments	10		10	10		10
Cash and cash equivalents		1	1			
Fair value of plan assets	57	62	119	45	63	108

3.2 Notes to the consolidated financial statements

Asset-liability matching strategy

The asset-liability matching strategy employed at FUCHS aims for the most congruent financing of pension obligations possible. Key elements are a comparable maturity profile of assets and liabilities, as well as (where technically feasible and financially prudent) coverage of longevity risks. This explains the high proportion of insurance policies. These allow the longevity risk to be covered, coupled with reduced volatility of the assets.

51 % (59) of plan assets are invested in insurance policies. There are no market price quotations for these in an active market. The asset-liability matching strategy for the pension obligations funded by pension plans is reviewed annually by the fund management.

Market prices are available for equity and debt instruments. Around 40% (32) of plan assets are invested in equity instruments, while a further 8% (9) are invested in debt instruments and 1% (0) in cash and cash equivalents. The fund managers pursue risk reduction strategies through use of swaps and index-linked instruments. The mix of equity and debt instruments takes into account the maturity profile of the pension obligations. A regular review of the asset-liability matching strategy can potentially also lead to a revision of the asset mix.

Pension expenses arising from the pension plans in place within the FUCHS Group amount to €18 million (19) and are made up of the following components:

Total pension expenses

in € million	2019	2018
Current service cost	3	3
Past service cost	1	1
Interest expense	3	3
Interest income from plan assets	-2	-2
Expenses for defined benefit pension plans	5	5
Expenses for defined contribution pension plans	13	14
Total pension expenses	18	19

The net interest expenses from defined pension obligations amounting to €1 million (1) are the balance resulting from interest expenses of €3 million (3) from the interest accrued on pension obligations less interest income of €2 million (2) from the return on plan assets.

Pension expenses and benefit payments also include the payments for the defined contribution pension plans. At €9 million (7), the share of pension contributions paid by the employer in Germany has been included in defined contribution pension plans.

25 Trade payables

in € million	Dec 31, 2019	Dec 31, 2018
Trade payables	194	195
Customer discounts (credit notes and bonuses)	14	13
Bills payable	1	3
Advance payments received	10	2
	219	213

26 Other provisions**Current provisions**

Current provisions mainly consist of the following:

Current provisions

in € million	Dec 31, 2019	Dec 31, 2018
Environmental obligations	6	6
Warranty	1	1
Costs for preparing the annual financial statements	1	1
Restructuring and redundancy payments	2	0
Compensation of the Supervisory Board	1	1
Transaction tax risks	5	4
Other obligations	8	11
	24	24

The current provisions are detailed below:

Development of current provisions

in € million	Dec 31, 2018	Currency exchange	Additions	Utilization	Reversals	Dec 31, 2019
Environmental obligations	6	0	0	0	0	6
Warranty	1	0	0	0	0	1
Costs for preparing the annual financial statements	1	0	1	1	0	1
Restructuring and redundancy payments	0	0	2	0	0	2
Compensation of the Supervisory Board	1	0	1	1	0	1
Transaction tax risks	4	0	1	0	0	5
Other obligations	11	0	5	6	2	8
	24	0	10	8	2	24

The provisions for restructuring and redundancy payments particularly contain redundancy payments for employees leaving the company.

The provisions for environmental obligations focus on rehabilitation work at contaminated sites and cover costs associated with the elimination of soil contamination.

Other obligations also include provisions for legal and litigation costs.

Development of other non-current provisions

in € million	Dec 31, 2018	Currency exchange difference	Additions	Utilization	Reversals	Dec 31, 2019
Other non-current provisions	4	0	1	0	0	5

Interest has not been accrued for any current provisions.

Other non-current provisions

→ [# Development of other non-current provisions](#)

This item also includes non-current provisions resulting from employee benefit obligations, such as anniversary bonuses.

Employees in Germany have the option to invest balances in lifetime working accounts. For the long-term accounts set up, the provisions measured at their settlement value of €10 million (9) are netted against the corresponding fair value of assets of €10 million (9) (acquisition costs of €10 million – previous year: €9 million). In the income statement, expenses and income of €1 million (2) each were offset against each other.

27 Current tax liabilities

This item includes total liabilities for income taxes of €27 million (29). This year-on-year decrease is mainly attributable to the decrease in tax provisions in Germany.

28 Financial liabilities

Non-current financial liabilities

Non-current financial liabilities exclusively consist of liabilities from leases with a remaining term of more than one year.

Current financial liabilities

Lease liabilities and interest-bearing liabilities to banks with a remaining term of less than one year are reported in current financial liabilities.

29 Other liabilities

Other current liabilities

Other liabilities are attributable to:

Other current liabilities

in € million	Dec 31, 2019	Dec 31, 2018
Obligations for personnel and social expenses	45	51
Fair value of derivative financial instruments	1	0
Social security	6	6
VAT liabilities	7	12
Other tax liabilities	9	9
Liabilities due to associates	0	0
Other liabilities	23	21
	91	99

The obligations for personnel and social expenses mainly relate to ex gratia payments, profit-sharing schemes, commissions, bonuses, outstanding holiday and overtime, settlements, as well as premiums for the employers' liability insurance association.

Other tax liabilities include excise taxes, payroll taxes and withholding taxes.

Other liabilities include financing liabilities of €6 million (6) related to delivery agreements in France that are reported in other assets. Commission obligations, customers with credit balances, and advance payments are also reported in this item.

Other non-current liabilities

Other non-current liabilities essentially comprise liabilities to employees at a French subsidiary, which are based on a statutory employee profit-sharing scheme and are due no earlier than 12 months after the end of the financial year, and liabilities to employees of an American subsidiary.

30 Contingent liabilities and other financial obligations

The item "Securing third-party liabilities" refers mainly to "garagiste" loans. Under this procedure, which is common in France, our subsidiary guarantees repayment of loans granted directly by the bank to our contracting partner. This guarantee is part of our supply and financing agreements with our partners. There are contingent liabilities of €10 million (9) from securing third-party liabilities. These are largely secured via credit insurance or collateral from our contracting partners, meaning that the remaining net risk for FUCHS is only €1 million (2).

Contractual obligations for the purchase of property, plant and equipment amounted to €64 million (76) as of December 31, 2019. This decrease is largely the result of our new plants in China and Sweden and our new raw materials warehouses in the United Kingdom.

31 Financial instruments

a) Carrying amounts and fair values of financial instruments

The fair value of a financial instrument is the price at which a party would be willing to assume the rights and/or obligations arising from this financial instrument from an independent third party. Due to varying factors, fair values can only be regarded as indicators for values actually realizable on the market.

The fair values of all financial instruments were determined based on the market data available at the end of the reporting period and on the methods and prerequisites specified below.

With the exception of investments in companies and derivative financial instruments, both of which are reported at fair value, as in the previous year all other financial assets are measured at amortized cost with the carrying amount of the financial instrument largely corresponding to the fair value.

As in the previous year, the cash and cash equivalents item is measured at amortized cost. It contains the carrying amounts of the securities due within three months.

The following table shows the carrying amounts and categories of financial instruments as of December 31, 2019:

Carrying amounts and categories of financial instruments (in € million)

Balance sheet items	Dec 31, 2019	Dec 31, 2018	Measurement categories
Investments in companies ¹	7	7	Fair value through other comprehensive income
Other loans ¹	1	1	Amortized cost
Other receivables and other assets ²	5	9	Amortized cost
Trade receivables	381	379	Amortized cost
Derivative financial instruments	0	0	Fair value through the income statement
Cash and cash equivalents	219	195	Amortized cost
Total of financial assets	613	591	
Financial liabilities from leases ²	22	0	Amortized cost
Financial liabilities to banks ²	4	4	Amortized cost
Trade payables	210	211	Amortized cost
Derivative financial instruments	1	0	Fair value through the income statement
Other liabilities ²	12	14	Amortized cost
Total of financial liabilities	249	229	

¹ Shown in other financial assets.

² Current and non-current.

b) Net profit or loss from financial instruments

The following table shows the net profit or loss arising from financial instruments in the income statement:

→ [## Net profit or loss from financial instruments](#)

Net profit and loss from loans and receivables comprises the balance of allowances for bad debts recognized and reversed, as well as the derecognition of irrecoverable receivables. These are reported in other operating expenses and income.

Net profit or loss from financial instruments

in € million	2019	2018
Financial assets and financial liabilities at fair value through profit and loss	-1	0
Equity instruments at fair value recognized in other comprehensive income	0	0
Loans and receivables	-6	-1
Financial liabilities measured at cost	0	0

c) Total interest income and expense

Total interest income and expense for financial assets and financial liabilities which were not measured at fair value through profit and loss are as follows:

Total interest income and expense

in € million	2019	2018
Total interest income	1	1
Total interest expenses	-3	-2

The interest from these financial instruments is reported in the Group's financial result.

d) Information on derivative financial instruments

The objective of using derivative financial instruments is to hedge interest rate and currency risks. In light of the Group's low level of gross financial debt – taking cash and cash equivalents into account, the Group is in a net cash position – the Group's strategy does not involve entering into fixed interest rate agreements or making use of any other interest hedging methods. For this reason no derivatives were concluded to hedge interest rate risks, as in the previous year. The table below shows derivative financial instruments in place at the end of the reporting period for hedging currency risks and sorted by their time to maturity. → [# Nominal values of derivative financial instruments for hedging currency risks](#)

The nominal volume is the total of all buying and selling amounts of currency derivatives. The nominal amounts correspond to the volumes of the underlying hedged transactions.

Nominal values of derivative financial instruments for hedging currency risks

in € million	December 31, 2019				December 31, 2018			
	Up to 1 year	1 to 5 years	More than 5 years	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
Forward currency transactions	88	0	0	88	45	0	0	45
Nominal volume of derivatives	88	0	0	88	45	0	0	45

Forward currency transactions employed by the FUCHS Group are exclusively used to hedge assets and liabilities. The change in the derivative's fair value is recognized in profit or loss. The same applies to the changes in the fair value of assets or liabilities hedged by this. Both changes equalize each other.

At the end of the reporting period, there were forward currency transactions solely for the purpose of securing existing hedged items (essentially receivables and liabilities from intercompany loans). The intercompany loans were eliminated in the consolidated financial statements through consolidation entries. Beside this, a small volume of forward currency transactions was also in place for the purpose of hedging firm commitments and future (anticipative) transactions.

The following average forward rates were used to hedge currency risks from the above-mentioned intercompany

loans for the forward current transactions existing as of the balance sheet date.

Average forward rate

	2019
AUD/EUR	1.629
GBP/EUR	0.863
HRK/EUR	7.455
HUF/EUR	329.681
PLN/EUR	4.337
RON/EUR	4.810
RUB/EUR	72.953
SEK/EUR	10.634
ZAR/EUR	16.401

The intercompany loans as underlying hedged transactions and the related forward currency transactions are short-term. The term is generally less than one year. If necessary, forward currency transactions are concluded again when the intercompany loans are extended.

The fair values of the derivative financial instruments were as follows:

Fair value as of December 31, 2019

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	88	-1	-1	0
Total derivatives	88	-1	-1	0

Fair value as of December 31, 2018

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	45	0	0	0
Total derivatives	45	0	0	0

Management of risks from financial instruments

Due to its international business activities, the FUCHS Group is exposed to numerous risks from financial instruments. In particular, these include credit risks, e.g. those inherent to trade receivables, and market risks, e.g. changes in foreign exchange rates, interest rates and commodity prices. In addition, liquidity risks may arise due to these risks, due to the operating business and because of sudden fluctuations in the financial markets.

Major financial risks are monitored and controlled by the central treasury department of FUCHS PETROLUB SE. There are detailed guidelines and requirements, approved by the company's Executive Board, specifying how financial risks are to be controlled. Financial and currency risks are reduced by entering into term and currency-matched financing and by making use of derivatives. We employ these instruments for hedging purposes only. The fair value of the forward currency transactions is calculated on the basis of recognized valuation models and current market data. The models are assigned to Level 2 in the fair value hierarchy. This control is employed strictly according to binding internal guidelines that utilize a two-person principle that guarantees adequate functional separation between trading and processing. The fair value of a non-listed investment is determined using a discounted cash flow method. The valuation model is assigned to Level 3 in the fair value hierarchy. For further information, please refer to the note "Significant discretionary decisions, estimates and assumptions".

→ [99 Significant discretionary decisions, estimates and assumptions](#)

Credit risks

A credit risk arises if one party of a financial instrument causes a financial loss thereby damaging the other party by not fulfilling an obligation. Credit risks may result from the investment of cash and cash equivalents and the granting of payment terms for goods and services as well as from other agreements to be fulfilled by the counterparty only at a later date.

Cash and cash equivalents

The Group usually limits its cash and cash equivalents to the extent required for its operating business. The Group's financial guidelines also require that bank balances be placed only at banks with an excellent credit standing.

Trade receivables

As a result of the business relations with its customers worldwide, the FUCHS Group has significant trade receivables at all times. The handling of the inherent credit risks is defined in a directive permitting procedures that may differ from one country to another. If the internal credit risk assessment, which is based on external credit information, reveals that a credit risk is too high, credit collateral must be provided, e.g. in the form of bank guarantees or documentary credits. Alternatively, credit insurance is also used. At the end of the reporting period, receivables totaling €7 million (6) were secured.

Bad debt allowances are recorded for the remaining credit risks as soon as they exceed certain limits (for information on this see note 19).

→ [121 Trade receivables](#)

Derivative financial instruments and other receivables and assets

When selecting banks with which derivative transactions are concluded, FUCHS ensures that the counterparty is sufficiently creditworthy. All derivative transactions are concluded only with banks that have a Moody's long-term rating in the investment sector. Through these processes, the default risk by contracting parties (credit risk) is minimized.

3.2 Notes to the consolidated financial statements

The maximum credit risk of the items above is the carrying amount of the receivable or the financial asset, even if the asset relates to derivative financial instruments or cash and cash equivalents. The FUCHS Group is only exposed to limited credit risks thanks to a natural diversification and its credit risk management. No concentration risks can currently be ascertained.

Liquidity risks

A liquidity risk arises if a company cannot fully meet its financial obligations.

The funds of the FUCHS Group mainly come from its operating business. Occasionally revolving funds are employed in the form of bonds or bank loans, for example, primarily to finance working capital and investment projects.

Besides the €4 million (4) in lines of credit already utilized, the Group also had access to other free lines of credit of €190 million (183). Furthermore, the Group has the option to use other financial resources by taking up additional bank loans and/or by issuing promissory note loans, private placements or bonds.

The following overview shows how the Group's contractually fixed payments for repayments and interests from the recognized financial liabilities as of December 31, 2019, affect the Group's liquidity situation (non-discounted):

Maturities of contractual cash flows from financial liabilities as of December 31, 2019

in € million	Total	2020	≥2021
Financial liabilities from leases	22	8	14
Financial liabilities to banks	4	4	0
Derivative financial instruments	1	1	0
Trade payables (without advances received)	210	210	0
Other financial liabilities	12	12	0
Total	249	235	14

Maturities of contractual cash flows from financial liabilities as of December 31, 2018

in € million	Total	2019	≥2020
Financial liabilities to banks	4	4	0
Derivative financial instruments	0	0	0
Trade payables (without advances received)	211	211	0
Other financial liabilities	14	14	0
Total	229	229	0

The FUCHS Group considers its liquidity situation to be stable and not subject to any significant liquidity risk. The Group has access to cash and cash equivalents of €219 million (195) and €190 million (183) in free lines of credit. In addition, the Group has current trade receivables of €381 million (379) from operating activities.

Market risks

As a result of its global business activities, the FUCHS Group faces market risks in the form of foreign exchange risks and interest rate risks. There are no stock market risks since the Group does not hold any freely tradable securities. The assets held by pension funds to meet pension obligations are explained in note 24.

→ [125 Pension provisions](#)

Exchange rate risks

In regard to exchange rate risks, we distinguish between transaction and translation risks.

The Group's transaction risks result in particular from the purchases of operating companies in a currency that differs from the one in which sales revenues are generated. Some of the raw materials processed by FUCHS are traded in US dollars. At the same time, companies generate most of the sales revenues on the markets of their respective home country. Thus all companies located outside the US dollar zone are exposed to a US dollar transaction risk.

When exporting finished products, the currency used by the exporting company is at the same time its invoicing currency. For this reason, the importing Group companies or third-party customers are exposed to transaction risks.

Because of dividend and license income of FUCHS PETROLUB SE, which is almost always obtained in the currency of the paying company, the holding company is also exposed to a transaction risk. Particularly in relation to the US dollar, this risk counters the transaction risk of many operating companies so that a natural hedge is in place which leads to the minimization of the transaction risks existing across the entire Group.

Exchange rate risks resulting from granting Group-internal foreign currency loans are generally hedged through the agreement of corresponding forward currency transactions.

Due to the structure of the lubricants business, which does not involve long run-up periods or a high level of orders on hand, FUCHS does not hedge currency positions in the context of its operating business on a long-term basis. For the operating companies the exchange rate is rather one of several price-determining factors which is to be taken into account when calculating prices.

The FUCHS Group includes many Group companies not based in the euro area. As a result, translation risks arise due to fluctuating exchange rates when converting sales revenues and results for the Group's income statement. These may have a considerable impact on the consolidated income statement.

For FUCHS significant translation risks exist due to its activities in North and South America as well as the Asian-Pacific region. To the extent that these risks are directly or also indirectly linked to the US dollar, they represent a natural hedge of the above-mentioned US dollar transaction risk. Transaction and translation risks thus have a compensatory effect at Group level.

The Group also faces translation risks when converting the figures of the assets and liabilities held by subsidiaries abroad. To contain these risks, assets to be financed on a short-term basis are usually refinanced in the local currency and only assets needed on a long-term basis are backed by equity. Changes in this equity item are continuously monitored, but are normally not hedged against fluctuations in the exchange rate.

Interest rate risks

In the light of the Group's sound liquidity situation, there are currently no appreciable interest rate risks that require hedging using derivative instruments.

The financial liabilities break down by interest rate agreement as follows. With the exception of the finance leasing transactions, no collateral was provided.

Financial liabilities by interest rate agreements

in € million	Effective interest rate	Fixed interest rate	Carrying amount as of Dec 31, 2019	Carrying amount as of Dec 31, 2018
Brazilian real	Variable interest rate	< 1 year	2	0
Indian rupee	Variable interest rate	< 1 year	1	2
Polish zloty	Variable interest rate	< 1 year	1	1
Thai baht	Variable interest rate	< 1 year	0	1
			4	4

Summary of interest rate hedging periods

Interest rate hedging periods

in € million	2019	in %	2018	in %
Up to 1 year	4	100	4	100
1 to 5 years	0	0	0	0
More than 5 years	0	0	0	0
	4	100	4	100

Other price risks

The FUCHS Group is exposed to risks arising from changes in the prices of goods which the Group needs to manufacture its finished products. Purchases of these goods are not hedged by derivatives since the available instruments are not effective enough. Changes in commodity prices are usually passed on to the market, possibly with a certain delay. Hence, these price risks are limited.

Sensitivity analyses

Underlying certain assumptions, sensitivity analyses provide an approximation of risks arising when certain influencing factors change. In terms of the interest rate risk and the foreign exchange rate risk we anticipate the following changes:

- An increase of the market interest rates of all currencies by one percentage point (parallel shift of the yield curves);
- A concurrent devaluation of the euro relative to all foreign currencies by 10%.

When determining the **interest rate risk** at the end of the reporting period, only original financial instruments carrying variable interest are included. Original financial instruments with fixed interest measured at amortized cost do not entail interest rate risks in accordance with IFRS 7. There were no interest rate derivatives which could possibly have an effect on the financial result.

Thus, an increase by one percentage point of the market's interest rate level on financial liabilities with a variable interest rate as disclosed on December 31, 2019, would have had no reducing effect on the financial result (as in the previous year) – assuming that the higher interest rate had been valid during the entire year.

The **foreign currency risk** is determined based on all net foreign currency positions not hedged at the end of the reporting period. A simultaneous depreciation of the euro by 10% relative to all foreign currencies would have had a positive earnings effect of €4 million (4).

Further notes to the consolidated financial statements

32 Notes to the statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the FUCHS Group have changed in the year under review as a result of cash inflows and outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified and presented into operating activities, investing activities or financing activities.

Cash and cash equivalents as shown in the statement of cash flows comprise the cash and cash equivalents reported in the balance sheet. Beside cash and cash equivalents in the more literal sense, i. e. checks, cash on hand and bank deposits, this item also includes current investments which can be converted into cash amounts at any time and are only subject to insignificant changes in value. Cash and cash equivalents are measured at amortized cost.

Cash flows from operating activities are calculated indirectly based on earnings after tax. With this method, the underlying changes in items in the balance sheet are adjusted for currency translation effects and changes in the basis of consolidation. As a result, these changes in the items of the balance sheet do not directly correspond to the amounts shown in the consolidated balance sheet.

Reconciliation statement in accordance with IAS 7

in € million	Cash-effective		Non-cash changes			Disclosures in the balance sheet Dec 31, 2019 (Dec 31, 2018)
	Disclosures in the balance sheet Dec 31, 2018 (Dec 31, 2017)	In cash flow from financing activities	Acquisitions/ changes in the scope of consolidation	Currency effects	Changes due to IFRS 16	
Financial liabilities	4 (1)	-8 (3)	0 (0)	0 (0)	30 (0)	26 (4)

The dividends received from companies consolidated at equity are recognized in cash flows from operating activities. The contribution of companies consolidated at equity is also recognized in EBIT in the income statement. This provides for better transparency of the financial position and results of operations.

The cash flows from/into investing and financing activities are determined on the basis of actual payments, adjusted for effects from currency translation and changes in the basis of consolidation. Insofar as subsidiaries or business activities are acquired or disposed of, the influences of these transactions are disclosed in dedicated items in the statement of cash flows.

→ [# Reconciliation statement in accordance with IAS 7](#)

Free cash flow is calculated on the basis of cash inflows from operating activities and cash outflows from investing activities.

Free cash flow before acquisitions is calculated with free cash flow adjusted for payments for acquisitions and proceeds from divestments.

33 Notes on segment reporting

Within the scope of segment reporting, the operating segments are made up of the geographical regions reflecting the FUCHS Group's internal organization and reporting structure. In accordance with the requirements of IFRS 8 "Operating Segments", this structure is aligned to the Group's internal control system and reflects segment reporting in the Group's management bodies. The individual companies are allocated to the segments according to the regions in which they are located.

As of January 1, 2019, there was a change in responsibilities at Executive Board level and the companies in the Middle East and Africa were accordingly allocated to a different segment. Up until December 31, 2018, these

companies were reported in the Asia-Pacific, Africa segment. Since 2019, they are now reported in the new Europe, Middle East, Africa (EMEA) segment. The previous year's figures for segment reporting are presented in line with the current internal organizational and reporting structure of the Group for better comprehensibility and transparency.

Segment information is based on the same recognition and measurement methods as the consolidated financial statements. Receivables and liabilities, income and expenses, and profits between the segments are eliminated in the consolidation process. The reconciliation of segment data to the total amounts for the Group is shown in the column entitled "Holding including consolidation." In addition to the depreciation, amortization and earnings of the holding companies, this also includes intersegment eliminations with regard to sales revenues. Intragroup sales revenues and transfers are transacted at prices and terms of independent business partners.

Segment earnings comprise all direct segment costs as well as indirect costs to a limited degree.

The sales revenues and non-current assets of Group companies break down as follows:

Sales revenues and non-current assets of Group companies

in € million	2019	2018
Sales revenues		
Companies in Germany	611	637
Companies in North America (mainly in the USA)	366	354
Companies in China	446	457
Other companies	1,149	1,119
Total	2,572	2,567
Non-current assets (intangible assets and property, plant and equipment)		
Goodwill		
Companies in Germany	48	48
Companies in North America (mainly in the USA)	90	88
Other companies	37	38
Total	175	174
Other intangible assets and property, plant and equipment		
Companies in Germany	271	248
Companies in North America (mainly in the USA)	135	116
Companies in China	62	54
Other companies	273	208
Total	741	626

The overall development of segments is described on page 92 and shows the figures for the year under review and the corresponding figures of the previous year.

→ [92 Segments](#)

The statement shows sales revenues and the respective segment earnings (EBIT) as key performance indicators for each geographic region.

The total of holding companies including consolidations is broken down as follows:

Holding companies including consolidations

in € million	2019	2018
Holding companies		
Sales revenues by customer location	0	0
Sales revenues by company location	0	0
Scheduled amortization and depreciation	1	2
EBIT before income from companies consolidated at equity	10	13
Segment earnings (EBIT)	10	13
Additions to property, plant and equipment and intangible assets	4	1
Consolidations		
Sales revenues by customer location	0	0
Sales revenues by company location ¹	-143	-166
Scheduled amortization and depreciation	0	0
EBIT before income from companies consolidated at equity	2	-2
Segment earnings (EBIT)	2	-2
Additions to property, plant and equipment and intangible assets	0	0

¹ Previous year stated like-for-like.

The total of segment earnings is to be transferred to consolidated earnings after tax as follows:

Transfer total of segment earnings to consolidated earnings after tax

in € million	2019	2018
Total segment earnings (EBIT)	321	383
Financial result	-4	-2
Income taxes	-89	-93
Consolidated earnings after tax	228	288

Segment reporting also contains investments in intangible assets, property, plant and equipment, as well as additions from acquisitions, the number of employees (including trainees) in the segments as of the end of the reporting period, and the respective EBIT margins achieved before income from companies consolidated at equity.

Sales revenues by product groups are disclosed in note 1 to the income statement.

→ [107 Sales revenues](#)

34 Relationships with related parties

The related parties of the FUCHS Group as defined by IAS 24 are:

- directly and indirectly held subsidiaries and FUCHS PETROLUB SE companies consolidated at equity,
- the Executive Board and Supervisory Board of FUCHS PETROLUB SE,
- RUDOLF FUCHS GMBH & CO KG, through which most of the Fuchs family's ordinary stock is held,

3.2 Notes to the consolidated financial statements

- its full partner FUCHS VERWALTUNGSGESELLSCHAFT MBH and its management,
- RUDOLF FUCHS KAPITALANLAGEGESELLSCHAFT MBH,
- and pension funds benefiting the Group's employees.

The controlling company is RUDOLF FUCHS GMBH & CO KG.

FUCHS PETROLUB SE provides services to the related companies RUDOLF FUCHS GMBH & CO KG, RUDOLF FUCHS KAPITALANLAGEGESELLSCHAFT MBH, and FUCHS VERWALTUNGSGESELLSCHAFT MBH for which it is compensated with a contribution to its administrative costs. The scope of these services is not material.

Furthermore, there are intercompany transactions (such as loans, provision of goods and services) between the holding company, FUCHS PETROLUB SE, and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated in the consolidated financial statements. The same applies to FUCHS PETROLUB SE's sureties for the liabilities of its subsidiaries included in the consolidated financial statements. License fees are charged to the subsidiaries according to their sales revenues for services provided by the holding company in the areas of research and development, product marketing, brand management, advertising, etc. Fees are also allocated for management and similar services. Services provided to related parties are charged on the same basis as those for independent business partners.

As of December 31, 2019, the FUCHS Group has receivables of €2 million (2) relating to supplies and services in addition to other receivables of €0 million (0) from companies consolidated at equity. Liabilities amount to €0 million (0).

The value of goods delivered in 2019 to companies consolidated at equity was €14 million (14), while other operating income was €1 million (1).

The compensation of the members of the Executive Board is made up of the following benefits:

Management Board remuneration

in € thousand	2019	2018
Short-term benefits	4,728	5,537
Post-employment benefits	940	756
Other long-term benefits	1,842	2,652
Total compensation	7,510	8,945

Compensation for members of the Supervisory Board totaled €723 thousand (791) and is recognized in other current provisions. The staff representatives of the Supervisory Board were granted €0.4 million (0.3) for their work as employees in addition to their compensation as members of the Supervisory Board.

No consultant contracts are in place with any members of the Executive Board or Supervisory Board.

For further information on the compensation of members of the Executive Board and Supervisory Board, please refer to note 35 and the compensation report included in the combined management report of FUCHS PETROLUB SE.

→ [142 Executive bodies](#)

→ [77 Compensation report](#)

For more information on pension plans, please refer to note 24.

→ [125 Pension provisions](#)

A dependent company report has been prepared on relationships with related parties pursuant to Section 312 of the German Stock Corporation Act (Aktengesetz – AktG) with the concluding declaration: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. No measures subject to disclosure occurred on the instruction or in the interest of the controlling company or any company associated with it." As the independent auditor of FUCHS PETROLUB SE, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited this dependent company report and issued an audit opinion.

35 Executive bodies

Supervisory Board

Dr. Kurt Bock

Former Chairman of the Board of Executive Directors of BASF SE
First appointment: 2019
Mandate ends: 2020

Chairman (since May 7, 2019)

Supervisory Board mandates:

- Bayerische Motorenwerke AG
- Fresenius Management SE
- Münchener Rückversicherungs-Gesellschaft AG

Jens Lehfeldt

Chairman of the Joint Works Council of FUCHS SCHMIERSTOFFE GMBH
Chairman of the SE Works Council
First appointment: 2019
Mandate ends: 2020

Member (since May 7, 2019)

(Employee representative)

Dr. Jürgen Hambrecht

Chairman of the Supervisory Board at BASF SE
First appointment: 2011
Resignation of the mandate: 2019

Chairman (until May 7, 2019)

Supervisory Board mandates:

- BASF SE (Chairman)
- Daimler AG
- TRUMPF GmbH + Co. KG (Chairman)

Horst Münkell

Chairman of the Group Works Council
Deputy Chairman of the Joint Works Council of FUCHS SCHMIERSTOFFE GMBH
Member of the SE Works Council
First appointment: 2009
Resignation of the mandate: 2019

Member (until May 7, 2019)

(Employee representative)

Dr. Erhard Schipporeit

Independent Corporate Consultant
First appointment: 2008
Mandate ends: 2020

Deputy Chairman

Supervisory Board mandates:

- BDO AG Wirtschaftsprüfungsgesellschaft
- Hannover Rück SE
- HDI Haftpflichtverband der Deutschen Industrie V.a.G.
- Innogy SE (Chairman) (until October 4, 2019)
- RWE Aktiengesellschaft
- SAP SE (until May 15, 2019)
- Talanx Aktiengesellschaft

Ingeborg Neumann

Managing Partner,
Peppermint Holding GmbH
First appointment: 2015
Mandate ends: 2020

Member

Supervisory Board mandates:

- Scienion AG
- SGL Carbon SE

Comparable supervisory committees:

- Berliner Wasserbetriebe AöR

Dr. Susanne Fuchs

Entrepreneur
First appointment: 2017
Mandate ends: 2020

Member

Lars-Eric Reinert

Vice President Operations,
FUCHS LUBRICANTS CO.
First appointment: 2008
Mandate ends: 2020

Member

(Employee representative)

Executive Board

Stefan Fuchs

First appointment: 1999
(Chairman since 2004)
Mandate ends: 2021
23 years at FUCHS

Chairman of the Executive Board

Areas of responsibility:
North and South America
(until September 2019),
Corporate Group Development,
Human Resources, Public Relations
and Marketing

Supervisory Board mandate:

- TRUMPF GmbH + Co. KG

Dr. Lutz Lindemann

First appointment: 2009
Mandate ends: 2023
21 years at FUCHS

Member of the Executive Board; Chief Technical Officer

Areas of responsibility:
Research & Development, Technology,
Product Management, Supply Chain,
Sustainability, inoviga GmbH, Mining
Division, OEM Division

Dr. Timo Reister

First appointment: 2016
Mandate ends: 2023
10 years at FUCHS

Member of the Executive Board

Areas of responsibility:
Asia-Pacific, North and South America
(from October 2019), Industrial Sales
Strategy

Dr. Ralph Rheinboldt

First appointment: 2009
Mandate ends: 2023
21 years at FUCHS

Member of the Executive Board

Areas of responsibility:
Europe, Middle East and Africa,
LUBRITECH Division

Group mandate:

- FUCHS SCHMIERSTOFFE GMBH
(Chairman)

Dagmar Steinert

First appointment: 2016
Mandate ends: 2023
7 years at FUCHS

Member of the Executive Board; Chief Financial Officer

Areas of responsibility:
Finance, Controlling, Investor Relations,
Compliance, Internal Audit, IT (incl.
SAP/ERP systems), Legal, Taxes

Group mandate:

- FUCHS SCHMIERSTOFFE GMBH

Supervisory Board mandate:

- ZF Friedrichshafen AG
-

Compensation for members of the Executive Board

Compensation of the Executive Board

in € thousand	2019	2018
Compensation of the Executive Board	6,570	8,189
thereof fixed compensation	2,887	2,885
thereof variable compensation	3,683	5,304
Pension expenses for pension commitments to active members of the Executive Board	940	756
Pension obligations	16,327	11,525
Plan assets	7,442	6,703
Balance of pension obligations and plan assets	8,885	4,822
Former members of the Executive Board		
Total compensation of former board members	566	543
Pension obligations	12,321	11,275
Plan assets	8,962	9,250
Balance of pension obligations and plan assets	3,359	2,025

The variable remuneration was reported as other liabilities at the reporting date. Pension expenses for pension commitments to active members of the Executive Board is made up of expenses for defined performance plans of €540 thousand (556) and expenses for defined contribution plans of €400 thousand (200).

Compensation for members of the Supervisory Board

Compensation for members of the Supervisory Board totaled €723 thousand (791).

For further information on the compensation of members of the Executive Board and Supervisory Board, please refer to the compensation report included in the combined management report of FUCHS PETROLUB SE.

36 Declaration on the German Corporate Governance Code as per Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board at FUCHS PETROLUB SE submitted the Declaration of Compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG). A copy can be found on page 76 and is available on the company's website at

→ www.fuchs.com/group/declaration-of-compliance

37 Fees and services of the auditor in accordance with Section 315e in conjunction with Section 314 (1) No. 9 of the German Commercial Code (HGB)

Companies in the FUCHS Group used the following services of PwC worldwide:

Fees and service of the auditor

in € million	2019	2018
Audit fees	1.7	1.6
Audit-related fees	0.0	0.0
Tax fees	0.1	0.1
All other fees	0.1	0.0
Total	1.9	1.7

Of this, fees of €0.4 million (0.4) were expensed for services relating to audits of financial statements in Germany for PwC GmbH Wirtschaftsprüfungsgesellschaft. These services related to the audit of the consolidated financial statements of FUCHS PETROLUB SE and the statutory financial statements of FUCHS PETROLUB SE and the subsidiaries included in the consolidated financial statements, as well as activities in connection with supporting reporting obligations.

In addition, an amount of €0.0 million (0.0) was expensed for other assurance services in the context of certifications, €0.0 million (0.0) for tax advisory services in the context of tax compliance on tax processes and €0.0 million (0.0) for other services for PwC GmbH Wirtschaftsprüfungsgesellschaft.

38 Shareholding in accordance with Section 315e in conjunction with Section 313 (2) of the German Commercial Code (HGB)

As of December 31, 2019

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2019 ²	Consolidation ³
I. AFFILIATED COMPANIES				
GERMANY				
BREMER & LEGUIL GMBH, Duisburg ⁴	100	0	37	F
FUCHS FINANZSERVICE GMBH, Mannheim ⁴	100	85	0	F
FUCHS LUBRITECH GMBH, Kaiserslautern ⁴	100	5	132	F
FUCHS SCHMIERSTOFFE GMBH, Mannheim ⁴	100	95	698	F
FUCHS WISURA GMBH, Bremen ⁴	100	1	18	F
PARAFLUID GMBH, Hamburg ⁴	100	1	15	F
inoviga GmbH, Mannheim ⁴	100	0	0	F
EMEA (EXCLUDING GERMANY)				
FUCHS LUBRICANTS BENELUX N.V./S.A., Huizingen/Belgium	100	15	37	F
FUCHS LUBRICANTS DENMARK ApS, Copenhagen/Denmark	100	4	10	F
FUCHS LUBRICANTS ESTONIA OÜ, Tallinn, Estonia	100	0	1	F
FUCHS OIL FINLAND OY, Vaasa, Finland	100	1	7	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre, France	99.7	17	112	F
FUCHS LUBRITECH S.A.S. Ensisheim, France	100	3	11	F
FUCHS HELLAS S.A., Athens, Greece	99.9	1	4	F
CENTURY OILS INTERNATIONAL LTD., Stoke-on-Trent/Great Britain	100	1 ⁶	0 ⁶	F
FUCHS LUBRICANTS (UK) PLC., Stoke-on-Trent/Great Britain (subgroup)	100	49	156	F
FUCHS LUBRITECH INTERNATIONAL (UK) LTD., Stoke-on-Trent/Great Britain	100	2	0	F
FUCHS LUBRITECH (UK) LTD., Stoke-on-Trent/Great Britain	100	0	0	F
FUCHS LUBRIFICANTI S.P.A., Buttigliera d'Asti, Italy	100	20	75	F
FUCHS MAZIVA D.O.O., Samobor, Croatia	100	2	6	F

3.2 Notes to the consolidated financial statements

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2019 ²	Consolidation ³
FUCHS LUBRICANTS LATVIA SIA, Riga, Latvia	100	0	1	F
FUCHS LUBRICANTS LITHUANIA UAB, Vilnius, Lithuania	100	0	2	F
FUCHS MAK DOOEL, Skopje, Macedonia	100	1	1	F
FUCHS LUBRICANTS NORWAY AS, Oslo, Norway	100	9	23	F
FUCHS AUSTRIA SCHMIERSTOFFE GMBH, Thalgau/Austria	70	3	21	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gleiwitz, Poland	100	45	109	F
FUCHS LUBRICANTES UNIPESOAL LDA., Moreira-Maia/Portugal	100	3	11	F
FUCHS LUBRICANTS SRL, Bucharest, Romania	100	0	6	F
OOO FUCHS OIL, Moscow, Russia	100	28	51	F
FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden (subgroup)	100	26	86	F
FUCHS LUBRICANTS REAL ESTATE AB, Stockholm/Sweden	100	0 ⁷	0 ⁷	F
FUCHS OIL CORPORATION (SK) SPOL. S R.O., Brezno, Slovak Republic	100	3	9	F
FUCHS MAZIVA LSL D.O.O., Krško, Slovenia	100	1	3	F
FUCHS LUBRICANTES S.A.U., Castellbisbal, Spain	100	23	59	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Říčany/Czech Republic	100	4	14	F
TOV FUCHS MASTYLA UKRAINA, Lviv, Ukraine	100	5	15	F
FUCHS OIL HUNGÁRIA KFT, Budaörs, Hungary	100	2	10	F
FUCHS LUBRICANTS SOUTH AFRICA (PTY.) LTD., Johannesburg/South Africa	74,9	7	72	F
FUCHS SOUTHERN AFRICA (PTY.) LTD., Johannesburg/South Africa	100	36	19	F
ASIA-PACIFIC				
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia	100	67	153	F
NULON PRODUCTS AUSTRALIA PTY. LTD., Sydney, Australia	100	6	16	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	85	310	F
FUCHS LUBRICANTS REGIONAL HEADQUARTER (EAST ASIA) LTD., Shanghai/People's Republic of China	100	2	0	F
FUCHS LUBRICANTS (SUZHOU) LTD., Wujiang/People's Republic of China	100	11	145	F
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou-City/People's Republic of China	100	73	233	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai, India	100	13	27	F

3.2 Notes to the consolidated financial statements

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2019 ²	Consolidation ³
PT FUCHS INDONESIA, Jakarta, Indonesia	100	4	5	F
PT FUCHS LUBRICANTS INDONESIA, Jakarta/Indonesia	100	0	7	F
FUCHS JAPAN LTD., Tokyo, Japan	100	5	13	F
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	8	23	F
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam/Malaysia	100	2	6	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	1	15	F
NULON NZ LTD., Auckland, New Zealand	100	0	1	F
FUCHS LUBRICANTS PTE. LTD., Singapore, Singapore	100	3	13	F
FUCHS LUBRICANTS TAIWAN CORP., Taipei, Taiwan	100	1	3	F
FUCHS THAI HOLDING LTD., Bangkok, Thailand	100	0	0	F
FUCHS LUBRICANTS (THAILAND) CO., LTD., Bangkok/Thailand	100	2	8	F
FUCHS LUBRICANTS VIETNAM COMPANY LTD., Ho Chi Minh City/Vietnam	100	1	1	F
NORTH AND SOUTH AMERICA				
FUCHS ARGENTINA S.A., El Talar de Pacheco, Argentina	100	3	10	F
FUCHS LUBRIFICANTES DO BRASIL LTDA., City of Barueri, State of São Paulo, Brazil	100	10	40	F
FUCHS LUBRICANTS SpA, Quilicura, Santiago de Chile, Chile	65	0	1	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	11 ⁵	25 ⁵	F
LUBRIFICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro, Mexico	100	18 ⁵	43 ⁵	F
PROMOTORA FUCHS S.A. DE C.V., Querétaro, Mexico	100	0 ⁵	4 ⁵	F
FUCHS CORPORATION, Dover, Delaware, USA (subgroup)	100	256	367	F
FUCHS LUBRICANTS CO., Harvey, Illinois, USA	100	197 ⁵	294 ⁵	F
ULTRACHEM INC., New Castle, Delaware, USA	100	20 ⁵	16 ⁵	F

3.2 Notes to the consolidated financial statements

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2019 ²	Consolidation ³
II. JOINT VENTURES				
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir, Turkey	50	42	64	E
III. ASSOCIATES				
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah, Saudi Arabia	32	54	141	E
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	11	17	E
FUCHS LUBRICANTS TANZANIA, Dar Es Salaam, Tanzania	48	0	0	E
FUCHS OIL MIDDLE EAST LTD., Sharjah/United Arab Emirates	50	12	19	E
IV. OTHER COMPANIES IN WHICH THE GROUP HOLDS AN INTEREST (PERCENTAGE OF SHARES HELD > 5%)				
GVÖ Gebinde-Verwertungsgesellschaft der Mineralölwirtschaft mbH, Hamburg, Germany	11.4			
NIPPECO LTD., Tokyo, Japan	11			

¹ Share of FUCHS PETROLUB SE, including indirect holdings.

² Equity and sales revenues are reported at 100%. The figures at German companies are based on the German annual financial statements (HB I), while the figures at companies domiciled outside Germany, are based on the IFRS financial statements (HB II) prior to consolidation. The conversion of equity into the Group's currency (euro) was performed using the closing rate as of December 31, 2019, while the accumulated average annual exchange rate of 2019 was used when converting sales revenues.

³ Inclusion in the consolidated financial statements: F = Full consolidation as per IFRS 10, E = Equity method as per IAS 28.

⁴ Company with profit/loss transfer agreement.

⁵ Included in the subgroup financial statements (HB II) FUCHS CORPORATION, USA.

⁶ Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS (UK) PLC., UK.

⁷ Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS SWEDEN AB, Sweden.

39 Events after the reporting period

With effect from January 24, 2020, FUCHS CORPORATION, Delaware (USA), acquired all shares in NYE LUBRICANTS INC, Massachusetts (USA). With this acquisition, the FUCHS Group has expanded its product portfolio in the field of specialty lubricants. NYE LUBRICANTS INC, Massachusetts (USA), had 183 employees as of December 31, 2019, and generated sales revenues of USD 50 million (45) in the financial year 2019. The financial effects of this acquisition are not shown in the consolidated financial

statements as of December 31, 2019. The assets and liabilities and the income and expenses of NYE LUBRICANTS INC. are included in the consolidated financial statements from January 24, 2020, onward. We have not yet completed the accounting for this corporate acquisition. In particular, the fair values of the acquired assets and liabilities are not available.

Furthermore, no significant events occurred after the reporting period.

Mannheim, March 4, 2020

FUCHS PETROLUB SE
Executive Board

S. Fuchs

D. Steinert

Dr. L. Lindemann

Dr. R. Rheinboldt

Dr. T. Reister

3.3 Declaration and Assurance of the Executive Board pursuant to Section 297 (2), Section 315 (1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operation of the Group. The management report, which is combined with the

management report of FUCHS PETROLUB SE, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, March 4, 2020

FUCHS PETROLUB SE
Executive Board

S. Fuchs

D. Steinert

Dr. L. Lindemann

Dr. R. Rheinboldt

Dr. T. Reister

3.4 Independent auditor's report

To FUCHS PETROLUB SE, Mannheim

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of FUCHS PETROLUB SE, Mannheim, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of FUCHS PETROLUB SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give

a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements and princi-

ples and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

- 1 Recoverability of goodwill

3.4 Independent auditor's report

Our presentation of this key audit matter has been structured as follows:

- 1 Matter and issue
- 2 Audit approach and findings
- 3 Reference to further information

Hereinafter we present the key audit matter:

1 Recoverability of goodwill

1 In the Company's consolidated financial statements goodwill amounting in total to €175 million (8.7% of total assets) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For

this purpose, the adopted medium-term business plans form the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. As a result of the impairment test, it was necessary to recognize a write-down amounting to €6 million with respect to the cash-generating unit Sweden.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plans, we assessed the appropriateness of the calculation, in particular by rec-

onciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate and the rates of growth applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on goodwill are contained in section "Accounting policies" and in note 13 "Intangible assets" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "2.12 Corporate Governance – Declaration of Corporate Governance" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the non-financial statement pursuant to § 289b Abs. 1 HGB and § 315b Abs. 1 HGB included in section "2.11 Combined non-financial declaration" of the group management report

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, mat-

ters related to going concern. In addition, they are responsible for financial reporting based on the tendering of account unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of

estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

3.4 Independent auditor's report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We solely bear the responsibility for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 7, 2019. We were engaged by the supervisory board on August 19, 2019. We have been the group auditor of the FUCHS PETROLUB SE, Mannheim, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dirk Fischer.

Mannheim, March 4, 2020

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dr. Bernd Roes

Wirtschaftsprüfer
[German Public Auditor]

Dirk Fischer

Wirtschaftsprüfer
[German Public Auditor]

3.5 Proposal for the appropriation of profits

The Executive Board will recommend that the Supervisory Board proposes the following appropriation of profits to the 2020 Annual General Meeting:

Proposal for the appropriation of profits

in €

Distribution of a dividend of €0.96 for each ordinary share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	66,720,000
Distribution of a dividend of €0.97 for each preference share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	67,415,000
Unappropriated profit (HGB) of FUCHS PETROLUB SE	134,135,000

Glossary

Added value

Added value is the sequence of refining processes in the production process, starting with the raw materials and ending at the finished end product via various stages including production and transport.

Associated companies

Company, upon the corporate and financial policies of which significant influence can be exercised (shareholding at least 20%) and that is not a subsidiary.

Capital employed

Average capital employed consists of shareholders' equity, financial liabilities, pension provisions and historical goodwill amortization, after the deduction of cash and cash equivalents.

Cash flow

The difference between income and expenditure in a reporting period.

Free cash flow comprises the cash inflow from operating activities and cash outflow from investing activities. Free cash flow is the remaining cash flow available for payments to equity and debt capital providers.

Compliance

Compliance with all legal requirements, guidelines and ethical standards relevant to the company.

Corporate governance

Internationally used term for responsible corporate management and supervision with a view to long-term value creation. Corporate governance comprises the entire system of managing and supervising a company and includes its organization, business policy principles and guidelines, as well as all internal and external controlling and monitoring mechanisms.

Declaration of Compliance

Declaration by the Supervisory Board and Executive Board pursuant in accordance with Section 161 of the German Stock Corporation Act (AktG) concerning the implementation of the recommendations of the German Corporate Governance Code.

Derivative financial instruments

Financial products whose own value is primarily derived from the price, price fluctuations and price expectations of the underlying hedged transaction. Derivatives are used by the FUCHS Group solely to limit exchange rate and interest rate risks from the operating business.

EBIT

Abbreviation for "earnings before interest and tax."

EBIT margin

Earnings before interest and tax (EBIT) in relation to sales revenues.

EBT

Abbreviation for "earnings before tax."

Effective tax rate

Corporate income tax expense relative to EBIT before income from companies consolidated at equity minus financial result.

Equity method

Method of consolidation for including joint ventures and associated companies in the consolidated financial statements. These companies are measured at their share in equity held by the Group. Changes in the equity capital of these companies have an effect on the valuation of the Group balance sheet item "Shares in companies consolidated at equity". Proportional net profits are shown under "Income from companies consolidated at equity" in the consolidated income statement.

Equity ratio

Proportion of capital resources to total assets.

IAS / IFRS

Abbreviation for International Accounting Standards (IAS). Accounting principles intended to guarantee international harmonization and comparability of financial statements and disclosure. International Financial Reporting Standards (IFRS) have replaced the IAS since 2001. FUCHS has compiled its consolidated financial statements in line with IAS/IFRS since 2002. IAS/IFRS are adopted by an international committee, the International Accounting Standards Board (IASB).

Income from companies consolidated at equity

Proportional net profit from joint ventures and associated companies that are included in the consolidated financial statements using the equity method.

Joint ventures

Enterprises managed jointly with other companies, where each company has an equal share.

MDAX

Stock index of German companies with a medium market capitalization. The MDAX is the second value segment after the DAX (30 companies with a high market capitalization). The FUCHS preference share has been approved for the Prime Standard section of the German Stock Exchange since January 1, 2003, and has been included in the MDAX segment, consisting of 60 stocks, since June 2008.

Net liquidity

Net liquidity is the net amount of cash and cash equivalents minus non-current and current financial liabilities.

Net operating working capital (NOWC)

Net operating working capital (NOWC) is made up of inventories and trade receivables minus trade payables. It defines the capital needed directly for the generation of sales revenues.

Participation company

Company upon which no significant influence is exercised (shareholding less than 20%).

Return on equity

Earnings after tax in relation to shareholders' equity.

Return on sales

Earnings after tax in relation to sales revenues.

Subsidiary

Company that is controlled by another company.

Volatility

Volatility is the measure of how much the price of securities or exchange rates has moved around the mean price over a certain period of time.

Ten-year overview

FUCHS Group

Amounts in € million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Results of operations										
Sales revenues (by company location)	2,572	2,567	2,473	2,267	2,079	1,866	1,832	1,819	1,652	1,459
Germany	611	637	633	631	569	517	533	517	491	418
International	1,961	1,930	1,840	1,636	1,510	1,349	1,299	1,302	1,161	1,041
Cost of sales	1,682	1,668	1,591	1,416	1,288	1,173	1,142	1,153	1,047	892
Gross profit	890	899	882	851	791	693	690	666	605	567
in % of sales revenues	34.6	35.0	35.7	37.5	38.1	37.2	37.7	36.6	36.6	38.9
Earnings before interest and tax (EBIT)	321	383	373	371	342	313	312	293	264	250
in % of sales revenues	12.5	14.9	15.1	16.4	16.5	16.8	17.0	16.1	16.0	17.1
Earnings after tax	228	288	269	260	236	220	219	207	183	172
in % of sales revenues	8.9	11.2	10.9	11.5	11.4	11.8	11.9	11.4	11.1	11.8
Assets/equity and liabilities										
Balance sheet total	2,023	1,891	1,751	1,676	1,490	1,276	1,162	1,109	985	894
Shareholders' equity	1,561	1,456	1,307	1,205	1,070	916	854	782	658	546
Equity ratio (in %)	77.2	77.0	74.6	71.9	71.8	71.7	73.5	70.5	66.8	61.0
Cash and cash equivalents	219	195	161	159	119	202	175	144	79	92
Financial liabilities ¹	26	4	1	13	18	16	8	9	14	20
Net liquidity	193	191	160	146	101	186	167	135	65	72
Pension provisions	36	25	26	35	33	36	16	26	16	74
FUCHS Value Added (FVA)	174	251	250	257	246	230	222	208	186	183
Cash Flow/investments/research and development										
Cash inflow from operating activities ²	329	267	242	300	281	255	221	203	89	133
Cash outflow from investing activities ²	-167	-108	-102	-136	-219	-67	-71	-63	-30	-55
thereof acquisitions ³	-13	12	-2	-41	-170	-22	0	-1	0	-31
Free cash flow	162	159	140	164	62	188	150	140	59	78
Free cash flow before acquisitions ³	175	147	142	205	232	210	150	141	59	109
Investments	154	121	105	93	50	52	70	61	36	32
Depreciation (scheduled)	73	58	53	47	39	30	28	27	26	23
Research & development expenses	55	52	47	44	39	33	31	29	28	25

FUCHS Group

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employees⁴										
Number of employees (average)	5,573	5,339	5,147	4,990	4,368	4,052	3,846	3,754	3,646	3,534
Germany	1,657	1,572	1,521	1,488	1,314	1,213	1,180	1,143	1,086	1,010
in %	29.7	29.4	29.6	29.8	30.1	29.9	30.7	30.4	29.8	28.6
International	3,916	3,767	3,626	3,502	3,054	2,839	2,666	2,611	2,560	2,524

FUCHS Shares

Amounts in €		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Earnings per share ⁵	Ordinary	1.63	2.06	1.93	1.86	1.69	1.57	1.53	1.45	1.28	1.20
	Preference	1.64	2.07	1.94	1.87	1.70	1.58	1.54	1.46	1.29	1.21
Dividend per share ^{5,6}	Ordinary	0.96	0.94	0.90	0.88	0.81	0.76	0.69	0.64	0.49	0.44
	Preference	0.97	0.95	0.91	0.89	0.82	0.77	0.70	0.65	0.50	0.45
Dividend distribution (in € million) ⁶		134	131	126	123	113	106	97	92	70	63
Share buyback (in € million)		0	0	0	0	0	76	22	0	0	0
Stock exchange prices on December 31 ⁵	Ordinary	39.95	35.00	40.37	36.95	37.69	31.74	30.90	26.50	15.06	16.45
	Preference	44.16	35.98	44.25	39.88	43.50	33.30	35.52	28.10	16.91	18.48

¹ From 2019 on incl. financial liabilities from leasing.

² From 2013 on, dividends received from companies consolidated at equity are shown under cash flow from operating activities (previous investing activities).

³ Including divestments.

⁴ From 2016 on including trainees.

⁵ Prior-year figures adjusted for capital measures (bonus shares, share splits, increases in capital stock) to provide better comparability.

⁶ Dividend proposal for 2019.

Financial calendar

Dates 2020

March 19	Annual report 2019
April 30	Quarterly Statement as at March 31, 2020
May 5	Annual General Meeting in Mannheim
May 6	Swiss information event Zurich, Switzerland
July 30	Half-year financial report as at June 30, 2020
November 3	Quarterly statement as at September 30, 2020

The financial calendar is updated regularly. You can find the latest dates on the webpage at

→ www.fuchs.com/financial-calendar

Annual General Meeting 2020

The Annual General Meeting takes place on Tuesday, May 5, 2020, at 10:00 am in the Mozart Room of the Rosengarten Congress Center, Rosengartenplatz 2, Mannheim. Shareholders will also receive an invitation and the agenda via their depository banks.

Disclaimer

This annual report contains statements about future developments that are based on assumptions and estimates by the management of FUCHS PETROLUB SE. Statements about future developments are all statements that do not refer to historical facts and events and contain such forward-looking formulations as “believes,”

“estimates,” “assumes,” “expects,” “anticipates,” “forecasts,” “intends,” “could,” “will,” “should,” or similar formulations. Even if the management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results may differ significantly from these assumptions and estimates due to a variety of factors. These factors can, for example, include changes in the overall economic climate, changes in the political environment, changes in procurement prices, changes to exchange rates and interest rates, and changes within the lubricants industry. FUCHS PETROLUB SE provides no guarantee that future developments and the results actually achieved in the future will match the assumptions and estimates set out in this annual report and assumes no liability for such. We do not assume any obligation to update the future-oriented statements made in this annual report.

Note on rounding

Due to rounding, numbers presented in this annual report may not add up exactly to totals provided, and percentages stated may not precisely reflect the absolute figures to which they refer.

Note regarding the annual report

In case of deviations between this English translation and the original German version of this annual report, the original German version takes precedence. In line with our sustainability activities we have resigned from printing the annual report and will publish it exclusively in digital form as of this year.

Imprint

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