Annual Report

2020

LUBRICANTS.
TECHNOLOGY.
PEOPLE.

FUCHS

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 5,700 employees in over 50 countries.

FUCHS IN NUMBERS

2,378 € million

Sales revenues in 2020

19 years

of consecutive dividend increases with an average annual growth rate of 15 %.

75 %

Equity ratio on a high level

26 %

average annual performance of the FUCHS preference shares over the last 20 years.

5,728

Employees

FUCHS AT A GLANCE

FUCHS Group

Amounts in € million	2020	2019	Change in %
Sales revenues [1]	**2,378**	**2,572**	**–8**
Europe, Middle East, Africa (EMEA)	1,446	1,579	–8
Asia-Pacific	698	718	–3
North and South America	387	418	–7
Consolidation	–153	–143	
Earnings before interest and tax and before income from companies consolidated at equity	**303**	**310**	**–2**
in % of sales revenues	12.7	12.1	
Earnings before interest and tax (EBIT)	**313**	**321**	**–3**
Earnings after tax	**221**	**228**	**–3**
in % of sales revenues	9.3	8.9	
Investments in long-term assets	**122**	**154**	**–21**
in % of scheduled depreciation [2]	153	211	
Free cash flow before acquisitions	**238**	**175**	**36**
Acquisitions	**–114**	**–13**	
Free cash flow	**124**	**162**	**–23**
FUCHS Value Added	**165**	**174**	**–5**
Shareholders' equity	**1,580**	**1,561**	**1**
in % of balance sheet total	75	77	
Balance sheet total	**2,120**	**2,023**	**5**
Employees as at December 31 [3]	**5,728**	**5,627**	**2**
Earnings per share (in €)			
Ordinary share	1.58	1.63	–3
Preference share	1.59	1.64	–3
Proposed dividend / dividend (in €)			
per ordinary share	0.98	0.96	2
per preference share	0.99	0.97	2

[1] By company location.
[2] Capital expenditure excluding financial assets.
[3] Including trainees.

OUR CUSTOMERS

Automotive

Industry

Engineering

Construction

Mining

Transport

Heavy duty

Steel & cement

Aerospace

Agriculture

Wind energy

Food

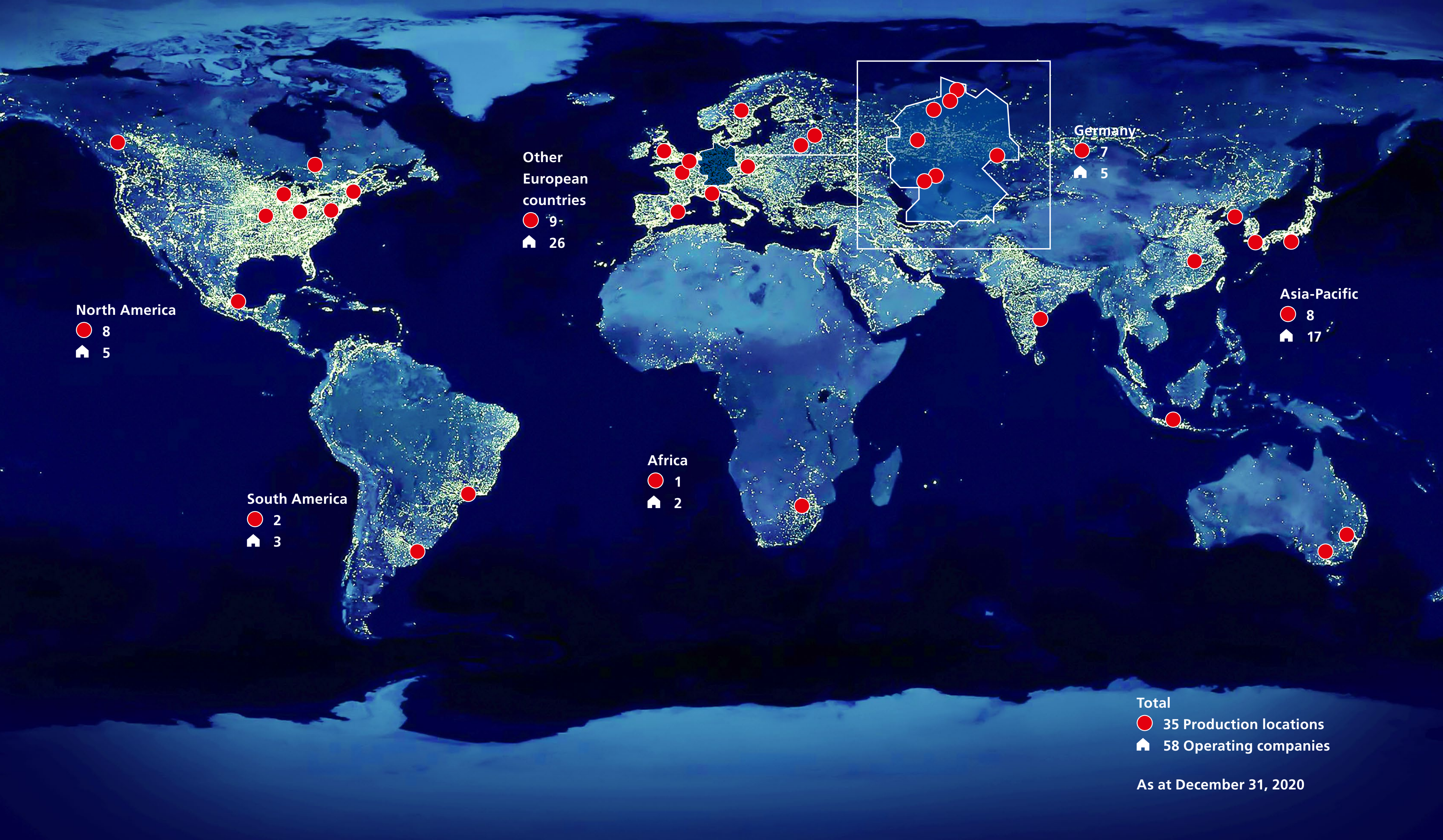
Our more than 100,000 customers include automotive suppliers and OEMs, companies in the engineering, metalworking, mining and exploration, aerospace, power generation, construction and transport sectors, agriculture and forestry, steel, metal, cement, casting and forging industries as well as in the 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 STRUCTURE

FUCHS PETROLUB SE is the parent company of the FUCHS Group and has mostly direct, 100% shareholdings. As of December 31, 2020, the Group comprised 58 operating subsidiaries, five of which operate in Germany and 53 abroad. The consolidated financial statements also include non-operating holding and management companies, increasing the number of consolidated companies to 69. Eight companies valued at equity also strengthen our global presence.

The organization and reporting structure is based on the regions: EMEA, Asia-Pacific, North and South America.

GROUP COMPANIES AND PRODUCTION LOCATIONS



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To our shareholders

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

To our shareholders

26 %

average annual performance of the FUCHS preference shares over the last 20 years.

1.1 Letter to our shareholders

Dear shareholders,

in the very challenging coronavirus-dominated year 2020, FUCHS PETROLUB generated sales revenues of €2.4 billion. Compared to the 8% decline in sales revenues, the earnings decrease was disproportionately lower at 3%. Overall, we put the health of our employees and the business continuity at the heart of our activities. The continuous high cash generation, even in the crisis year 2020, and the solid balance sheet have led the Executive Board and Supervisory Board to propose the 19th consecutive dividend increase in a row.

We observed extreme swings in earnings in 2020, from very low to very high. In Asia, and particularly in China, the effect of the coronavirus was reflected mainly in the first quarter. Due to the sharp slump in demand in the Americas and Europe in the second quarter, the Group's earnings fell by 50% year-on-year between April and June. A significant recovery then began toward the end of the third quarter and continued up until the end of the year. In the final quarter, we thus increased our earnings by almost 50% year-on-year. For the whole year, we managed to stabilize our earnings at almost the level of the previous year. The effects of the coronavirus posed major challenges for our entire team due to the implementation of hygiene measures at our sites and disruptions of supply chains. I would like to thank all colleagues for their great dedication to our company in these difficult times for all of us. We have continued our business without major structural interventions in the workforce or projects and are looking ahead with confidence.

Stefan Fuchs, Chairman of the Executive Board

As part of our growth initiative, we implemented the second-biggest investment budget in our company's history in 2020. Among other things, the new plant in Sweden was completed. In China, the headquarters and our Asian research and development hub in Nanxiang near Shanghai were significantly expanded and modernized, and we also started the construction of our new corporate headquarters in Mannheim, Germany. By way of acquisitions, we strategically expanded our specialties business in particular. In January 2020, we completed the acquisition of Nye in the US. This company generates sales revenues of almost €50 million at its site in Fairhaven, Massachusetts, which we are successively expanding as a specialties site in North America. Other acquisitions included the specialty lubricants business of WELPONER in Italy and PolySi in the US. With the joint venture in Vietnam that was concluded at the start of this year, we have established a good basis for future growth in this strategically important market.

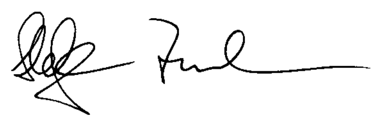
The FUCHS2025 initiative is our response to the many changes taking place on the market. New solutions require new action, and new action requires a new attitude and a new way of thinking. For more than two years, we have been dealing with the three pillars of culture, structure, and strategy, and in 2020 we achieved some major milestones. Based on our strengths, we have developed a strategy that builds on six strategic pillars: global strength, customer and market focus, technology leadership, operational excellence, people and organization, and sustainability. This basis of our strategy serves as guidance for our strategic actions in order to fulfill our vision for 2025. In structural terms, we strengthened our automotive aftermarket business and supported the business segments with a team of focused segment managers. We were excellently equipped for virtual interaction in terms of IT, and took advantage of this with two virtual FUCHS2025 roadshows in 2020. Our entire workforce had access to these events, which allowed us to share our strategy, gather suggestions, and also just enjoy discussions with one another. The entire FUCHS world was connected and united worldwide all at once. With regard to culture, we addressed the topics of hierarchy-free communication and an open feedback culture in depth.

For 2021, we are planning sales revenues at the pre-crisis level of 2019 and earnings in the ballpark of 2020. It is difficult to foresee the extent to which we will be impacted by the future development of the Covid-19 virus and its economic effects. Furthermore, occasional disruptions to supply chains due to a scarcity of resources at times are affecting our day-to-day processes. With regard to costs, we will continue to take a disciplined approach. Investments will match the level of depreciation and amortization again at around €80 million.

Dear shareholders, we are starting the year 2021 confidently on a solid foundation and with a clear strategic plan for the future. This is the basis for our dividend policy geared toward continuity and reliability. I would like to thank you all for your trust in our company and its team.

Mannheim, March 8, 2021

Yours



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

→ 162 Executive Bodies

Group Management Committee

Dr. Lutz Lindemann CTO

Stefan Knapp Germany and Benelux

Bernhard Biehl LUBRITECH-Division

Dr. Ralph Rheinboldt EMEA

Dagmar Steinert CFO

Stefan Fuchs CEO

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

Alf Untersteller Turkey, Middle East, Central Asia and Africa

Carsten Meyer OEM and Mining Division

Klaus Hartig East Asia

Keith Brewer America

1.3 Report of the Supervisory Board

Dear shareholders,

under difficult macroeconomic conditions, the financial year 2020 was challenging also for the FUCHS Group. It started with signs of a general slowdown of the global economy at the end of 2019 and was then significantly influenced by the Covid-19 pandemic and its effects on the economy and society. This development had a huge impact on FUCHS, as a result of which FUCHS did not achieve its original growth target. The Executive Board reacted rapidly to these challenges, vigorously reducing costs and systematically securing liquidity. At the same time, measures to shape the future, namely substantial investments and a series of acquisitions were continued. As a result, the company has got through the Covid-19 pandemic relatively well. EBIT decreased by only 3 % compared to the previous year, while sales revenues declined by 8 %. At the same time, FUCHS is still very solidly financed and can propose to its shareholders a higher dividend payment than in the previous year.

Work performed by the Executive Board and Supervisory Board

In financial year 2020, the Supervisory Board performed its advisory and monitoring duties with great care in accordance with the requirements of law, the company's Articles of Association and its rules of procedure. At the same time, it fully complied with the recommendations of the German Corporate Governance Code in the version published in the Federal Gazette (Bundesanzeiger) on February 7, 2017. The recommendations of the German Corporate Governance Code in the version published in the Federal Gazette on March 20, 2020, were followed with the exception of one recommendation.

The Supervisory Board and the Executive Board continued their full and effective cooperation in the financial year 2020. The Executive Board informed the Supervisory Board regularly, promptly, and comprehensively about all issues relevant for the company, particularly the strategy, planning, the business development, the risk situation, risk management, and compliance. Deviations in the business development from the plans drawn up and the targets agreed were examined, specifying the reasons for this. In addition, the Chairman of the Executive Board immediately informed the Chairman of the Supervisory Board of major events that were significant for the assessment of the company's situation and development and for the management of the company. All this made possible an open discussion and a trusting cooperation between the Executive Board and the Supervisory Board.

In its self-assessment of how effectively the Supervisory Board as a whole and its committees are performing their tasks, the Supervisory Board did not determine any significant need for improvement at its meeting in December

Dr. Kurt Bock, Chairman of the Supervisory Board

2020. Proposals for focus areas for meetings in 2021 and 2022 were also discussed.

In the Supervisory Board's opinion, three of the four shareholder representatives, and thus an appropriate proportion, are independent within the meaning of recommendation C.6 of the German Corporate Governance Code. The current Supervisory Board members Dr. Kurt Bock, Dr. Christoph Loos, and Ms. Ingeborg Neumann, as well as Dr. Erhard Schipporeit up until his departure from the Supervisory Board, are shareholder representatives on the

Supervisory Board who are considered independent from the company and its Executive Board and from the controlling shareholder within the meaning of the recommendations of the German Corporate Governance Code. No conflicts of interest arose either in the case of the Executive Board members or Supervisory Board members in the reporting period.

Changes in the Supervisory Board

There was a change in the Supervisory Board in the first half of the year. Dr. Christoph Loos, chairman of the management of Hilti AG, replaced Dr. Erhard Schipporeit as of the end of the Annual General Meeting on May 5, 2020. On the employee side, Ms. Cornelia Stahlschmidt took over from Mr. Lars-Eric Reinert. Dr. Susanne Fuchs took over the role of Deputy Chairwoman of the Supervisory Board from Dr. Schipporeit.

In preparation for his role, Dr. Loos held individual talks with each Executive Board member, in which they presented their areas of responsibility. Prior to her election, Ms. Stahlschmidt – like all members of the SE Works Council – had completed two extensive training courses on the rights and obligations of the Supervisory Board that were given by an external lawyer hired by the company.

Reports and board meetings

In a total of seven meetings of the Supervisory Board in 2020, 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 about all relevant questions regarding strategic advancements in accordance with the duties set out in the rules of procedure. One particular focus of the meetings was the Covid-19 pandemic and its effects on FUCHS' organization and business. Discussions also regularly focused on reports from the committees, budget monitoring 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. For matters to be resolved between meetings, the Supervisory Board passed resolutions by way of circulation.

In the balance sheet meeting on March 18, 2020, the Board conclusively reviewed, discussed and approved the annual and consolidated financial statements as well as the combined management report and the non-financial 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 2020 of FUCHS PETROLUB SE and the resolution on variable compensation for the Executive Board members for the financial year 2019 were also approved in this meeting. Other topics included investment and acquisition projects and the House of Governance, which comprises the internal control system (ICS), the risk management system (RMS), the compliance management system (CMS) and Internal Audit. Finally, the Supervisory Board informed itself in detail about the topic of supply chain management in the Group. In early April, the Supervisory Board passed a resolution by way of circulation on the 2020 Annual General Meeting of FUCHS PETROLUB SE and its virtual format.

In the meeting held immediately before the Annual General Meeting on May 5, 2020, discussions focused on the report by the Executive Board on the current business performance of the Group after the end of the first quarter, the measures taken by the company to deal with the Covid-19 pandemic, and investment and acquisition projects. In addition, the Supervisory Board approved the updated allocation of responsibilities for the Executive Board. Immediately after the Annual General Meeting, the constitutive meeting of the Supervisory Board just elected by the Annual General Meeting and the SE Works Council was held. The Chairman and Deputy Chairwoman of the Supervisory Board, the members of the Audit Committee, Personnel Committee, and Nomination Committee, and their respective chairpersons were elected at this meeting. In May, the Supervisory Board also passed a resolution by way of circulation on removing the regulation on authorized capital, which had already expired, from the Articles of Association.

Owing to the Covid-19 pandemic and its effects on business, the Supervisory Board met again on June 22, 2020, already. This meeting focused on the report by the Executive

Board on the current development of the Group's business performance, the business expectations for the full year, and the measures to deal with the Covid-19 pandemic. The Supervisory Board also dealt with current acquisition projects.

In the meeting held on July 27, 2020, the Supervisory Board dealt with the business performance of the Group, the investment and acquisition projects and the current status of the FUCHS2025 project. At the recommendation of the Personnel Committee, the Supervisory Board resolved to reappoint Mr. Stefan Fuchs and extend his Executive Board contract from July 1, 2021, to June 30, 2026. The Supervisory Board also informed itself in detail about the topics of strategy, innovation, and digitalization, and about the IT organization and IT processes in the Group.

The Supervisory Board meeting on October 26, 2020, was held at the Group company FUCHS LUBRITECH GmbH in Kaiserslautern. In addition to a detailed presentation of the LUBRITECH division, the main topics of the meeting were the Group's situation, the results for the third quarter, the outlook for the full year, the re-intensifying Covid-19 pandemic, FUCHS2025, and current investment and acquisition projects. The possibility of switching from bearer shares to registered shares and the effects of the planned Association Sanctions Act were also discussed. Finally, the Supervisory Board informed itself in detail about FUCHS' innovation strategy.

In the meeting held on December 11, 2020, the Supervisory Board examined the position of the Group, the budget for 2021 including the investment budget, and current investment and acquisition-related topics. It informed itself about the opportunity and risk management and about the results and recommendations of the Internal Audit. In addition, the Board addressed the topics of compliance, preparations for the 2021 Annual General Meeting, and possible amendments to the Articles of Association. The 2020 declaration of compliance with the German Corporate Governance Code was approved and adjustments to the rules of procedure of the Supervisory Board and the rules of procedure of the Executive Board were resolved. 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 2020. In addition, the Supervisory Board dealt with updates on the topics of FUCHS2025, sustainability, and investor relations. The Supervisory Board held part of the meeting without the Executive Board present.

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 concentrated on the annual financial statements of FUCHS PETROLUB SE and the consolidated financial statements alongside the Combined Management Report, the non-financial declaration, and compliance topics. Other main topics were a detailed discussion of the Group's quarterly statements and the half-year financial report prior to their publication. In addition, the Audit Committee together with the auditor defined the key areas of the audit of the financial statements for the reporting year, awarded the audit assignment to the auditor, and addressed the new accounting and reporting regulations.

The **Audit Committee** also dealt with the audit of the accounts, monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, and the audit of the financial statements. In this context, the accounts particularly include the consolidated financial statements, the Group management report (including the non-financial declaration), intra-year financial information, and the annual financial statements of FUCHS PETROLUB SE in accordance with the German Commercial Code (HGB). The Audit Committee regularly assesses the quality of the audit in connection with the annual and consolidated financial statements.

Overview of members' attendance at each meeting in the financial year 2020

Responsibilities	Members	Attendance/meetings
Supervisory Board	Dr. Kurt Bock (Chairman)	7/7
	Dr. Susanne Fuchs (Deputy Chairwoman from May 5, 2020)	7/7
	Dr. Erhard Schipporeit, until May 5, 2020 (Deputy Chairman, financial expert)	2/2
	Jens Lehfeldt	7/7
	Dr. Christoph Loos, from May 5, 2020	5/5
	Ingeborg Neumann (financial expert)	7/7
	Lars-Eric Reinert, until May 5, 2020	2/2
	Cornelia Stahlschmidt, from May 5, 2020	5/5
Audit Committee	Dr. Erhard Schipporeit, until May 5, 2020 (Deputy Chairman, financial expert)	2/2
	Ingeborg Neumann (Chairwoman from May 5, 2020, financial expert)	4/4
	Dr. Susanne Fuchs	4/4
	Dr. Christoph Loos, from May 5, 2020	2/2
Personnel Committee	Dr. Kurt Bock (Chairman)	2/2
	Dr. Susanne Fuchs	2/2
	Ingeborg Neumann, from May 5, 2020	2/2
	Dr. Erhard Schipporeit, until May 5, 2020	0/0

As of May 5, 2020, Ms. Ingeborg Neumann took over as Chairwoman of the Audit Committee from Dr. Erhard Schipporeit.

The **Personnel Committee** advises the Supervisory Board on personnel matters pertaining to the Executive Board and prepares its decisions. Two meetings were held in the reporting year, at which the committee particularly dealt with the proposal for the reappointment of Mr. Stefan Fuchs as Chairman of the Executive Board, including the extension of his employment contract, and the proposal for determining the performance factor of variable Executive Board compensation for the financial year 2020. The discussions and recommendations of the committee formed the basis for corresponding resolutions by the Supervisory Board. In addition, the committee dealt with the future compensation of the Supervisory Board and made a corresponding proposal to the Board as a whole.

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

In accordance with recommendation D.5 of the Code, the Nomination Committee is staffed entirely with shareholder representatives. The members are Dr. Kurt Bock (Chairman), Dr. Susanne Fuchs, Dr. Christoph Loos (since May 5, 2020), Ms. Ingeborg Neumann, and Dr. Erhard Schipporeit (until May 5, 2020).

Mr. Jens Lehfeldt, Mr. Lars-Eric Reinert (until May 5, 2020) and Ms. Cornelia Stahlschmidt (from May 5, 2020) are the employee representatives on the Supervisory Board.

Due to the general contact restrictions in the context of the Covid-19 pandemic, Supervisory Board members sometimes exercised the option – unlike in the past – to attend meetings by video conference, both in meetings of the Board as a whole and in the committees.

Audit of annual and consolidated financial statements

As per resolution of the Annual General Meeting of May 5, 2020, the Audit Committee commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Mannheim branch (PwC) to audit the 2020 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 2020 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 2020. It also did not identify any reasons for its own exclusion or bias.

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 8, 2021, as well as in the Supervisory Board's balance sheet meeting on March 8, 2021. 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 were 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 2020 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 in this particularly challenging year.

Special thanks from the Supervisory Board go to the members who have left for their positive and constructive cooperation. Dr. Schipporeit had been on the Supervisory Board as an ordinary member and Chairman of the Audit Committee since 2008 and in the role of Deputy Chairman of the Supervisory Board since 2017. Mr. Reinert had represented the employees on the Board since April 16, 2008.

Mannheim, March 8, 2021

The Supervisory Board

Dr. Kurt Bock
Chairman of the Supervisory Board

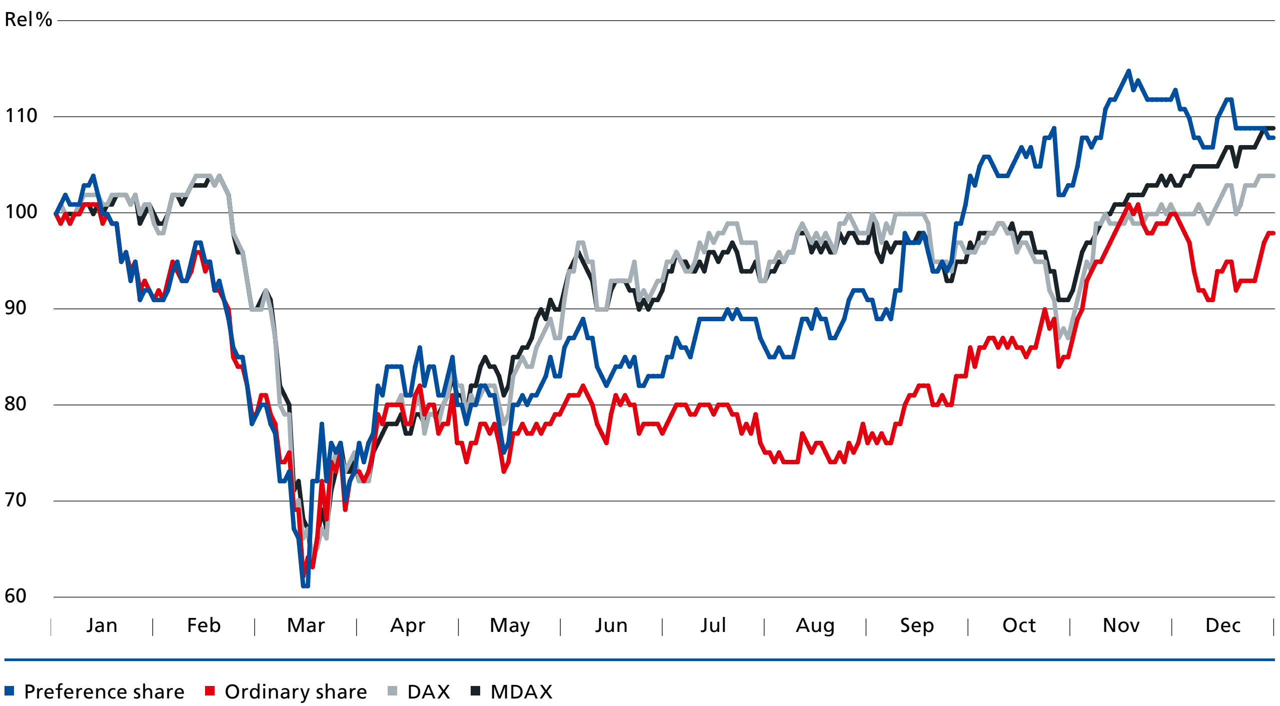
1.4 FUCHS on the capital market

Stock markets dominated by Covid-19 pandemic in 2020

The global stock markets were strongly impacted by the Covid-19 pandemic in 2020, experiencing their sharpest slump in February and March since the 2007/2008 financial crisis. As a result of the global spread of the Covid-19 pandemic and the drastic shutdown of economic activity, economic expectations had to be revised significantly. The MDAX, on which the FUCHS preference share is listed as the more liquid of the two FUCHS share classes, fell sharply and recorded its low for the year of 17,909 points on March 18, 2020. On the same day, Germany's leading index, the DAX, also marked its low for the year of 8,442 points.

Extensive government support packages and very expansionary monetary policy by the central banks restored investors' confidence in the stabilization of the economy and contributed to a recovery that continued throughout the year. Brightening economic prospects and the approval of vaccines toward the end of the year helped the DAX and MDAX reach new all-time highs. On December 29, 2020, the MDAX reached its highest level of the year and its all-time high at 30,912 points. On the previous day, the DAX had also marked its all-time high at 13,790 points. The MDAX year-end closing price of 30,796 points (28,313) represented an increase of 8.8 % compared to the previous year. The DAX closed the year at 13,718 points (13,249), which equates to an increase of 3.5 % compared to the previous year's closing price.

Performance* of ordinary and preference shares in comparison with DAX and MDAX
(January 1 – December 31, 2020)



*Price trend including dividends.

FUCHS shares with a positive performance

Both the FUCHS preference share and the FUCHS ordinary share were unable to escape the substantial sell-off on the overall market in February and March. The FUCHS preference share marked its low for the year of €26.86 on March 17, 2020, while the FUCHS ordinary share's low for the year of €24.95 was reached on March 16, 2020.

At FUCHS, the economic effects of the Covid-19 pandemic were reflected in a suspension of the full-year forecast and a significant reduction in the earnings forecast for the first half of the year that had been announced together with the publication of the quarterly statement for the first quarter of 2020.

In line with the overall market, the FUCHS preference share recovered over the course of the year and compensated for the significant losses from February and March. Improved economic data, and in particular much stronger demand for automobiles in China, contributed to the continuing positive development of the FUCHS preference share.

The recovery was also underpinned by an increase in the forecast that was announced prior to the publication of the figures for the first nine months. However, the FUCHS ordinary share could not quite follow the recovery of the more liquid FUCHS preference share.

On November 18, 2020, the FUCHS preference share marked its high for the year of €49.36. By contrast, the FUCHS ordinary share was not quite able to reach the high for the year from January 10, 2020, of €40.45, despite its recovery. The FUCHS preference share closed the final trading day at €46.44 (44.16) and therefore achieved a year-on-year gain of 5.2 %. Taking the dividend payment into account, the FUCHS preference share posted an annual performance of 8.1 %. The ordinary share ended the year at a closing price of €37.85 (39.95), thus marking a year-on-year decrease of 5.3 %. Taking account of the dividend, the FUCHS ordinary share recorded a decline of 2.2 % for financial year 2020.

Basic share information

	Ordinary share	Preference share
German securities identification number (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	CDAX, DAXplus Family, Classic All Share, Prime All Share	MDAX, CDAX, HDAX, Classic All Share, Prime All Share, DAX International 100, STOXX Europe 600

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 €5.9 billion (5.8) at the end of 2020. With a weighting of 1.09 % (1.16), FUCHS therefore ranked 31 (32) in the MDAX. In terms of liquidity, the preference share ranked 59 (55) in the MDAX.

The international significance of the FUCHS preference shares is 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 focused on virtual events

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 capital market participants 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 2020. Due to the Covid-19 pandemic, the major part of capital market dialog took place virtually.

We also kept the public regularly informed of current developments through press releases and ad hoc disclosures. The Investor Relations team stayed 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/investor-relations/

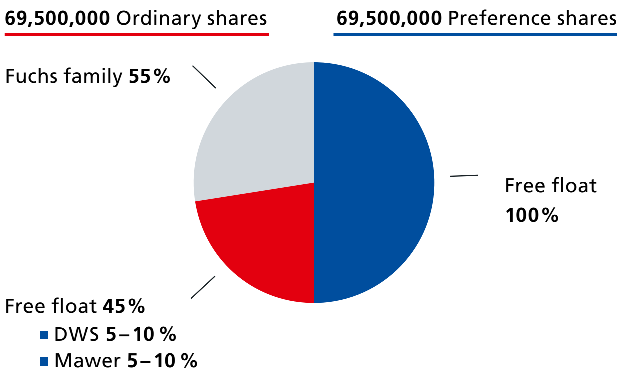
Stable shareholder structure

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 2020, 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.

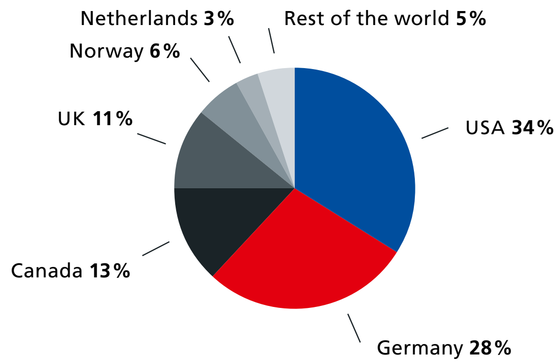
We did not receive any voting rights disclosures from institutional investors about exceeding or falling below thresholds in 2020. All previous voting rights disclosures can be found on our website.
→ www.fuchs.com/votingrightdisclosures/

Shareholder structure as of December 31, 2020



Source: Voting rights disclosures

Regional breakdown of institutional investors



Basis: Identified institutional investors.
Source: Factset

Strong demand for employee shares

FUCHS PETROLUB SE has been offering employees at the German companies ordinary shares at preferential conditions since 1985. In 2020, each employee had the opportunity to purchase a maximum of 30 shares with a discount of €5.00 per share. 504 (529) employees made use of this opportunity and therefore purchased 14,094 shares in total. The newly acquired shares are subject to a vesting period of one year.

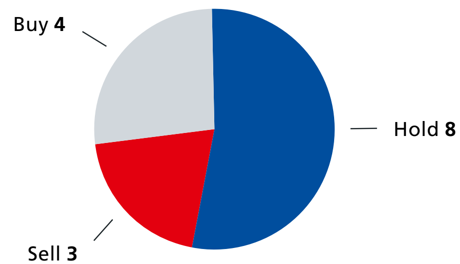
Extensive analyst coverage

FUCHS is monitored and continually assessed by a large number of international financial analysts. Bankhaus Lampe gave up all of its equities business in 2020 and consequently stopped its coverage. At the end of 2020, 18 (19) analysts regularly published their assessment of current developments and the prospects for the company:

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

Current information on this can always be found on our website under Investor Relations.
→ www.fuchs.com/analysts

Analyst recommendations*
December 31, 2020

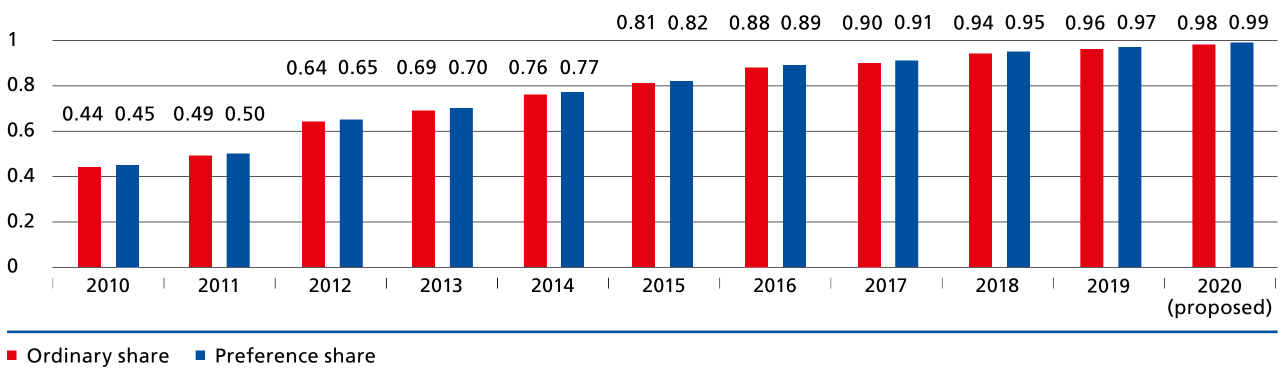


*From three institutions, there was no current investment recommendation available as of the end of the year.

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 19 years and has not cut it for 28 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 8% p.a. in the last ten years, whereby the absolute dividend increased by 120% in total.

Dividend development
(in € per share)



For the financial year 2020, the Executive Board and Supervisory Board propose distributing €137 million (134) from unappropriated profits and consequently paying a dividend of €0.98 (0.96) per ordinary share and €0.99 (0.97) per preference share. This equates to a payout ratio of 62 % (59).

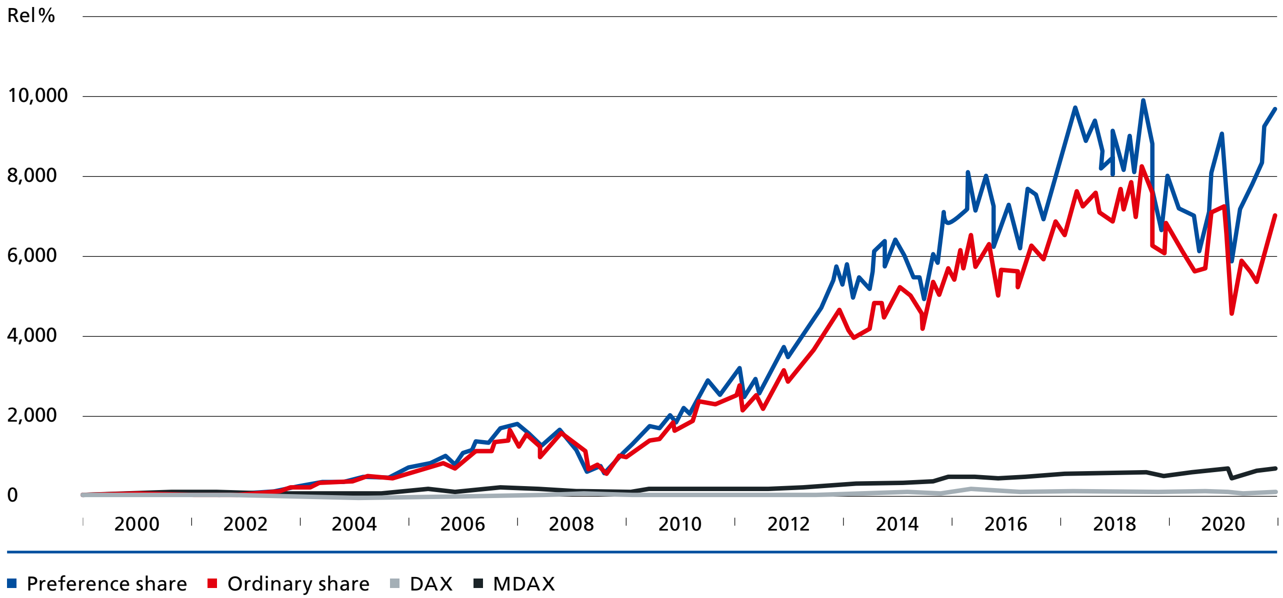
Annual General Meeting held virtually

FUCHS PETROLUB SE's virtual Annual General Meeting took place in Mannheim on May 5, 2020. In total, 82.4 % of the ordinary shares with voting rights and 55.8 % of the preference shares were represented there. Together this equates to 69.1 % of the share capital. The shareholders followed the Nomination Committee's proposals for the staffing of the Supervisory Board by a large majority in each case. As such, the shareholders Dr. Kurt Bock, Dr. Susanne Fuchs, and Ms. Ingeborg Neumann were confirmed as shareholder representatives and Dr. Christoph Loos was elected as a new Board member. The Annual General Meeting approved all of the management's proposed resolutions by a large majority. This also included the dividend distribution of €134 million in total for the financial year 2019, which took place on May 8, 2020. 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, 2020)



*Price trend including dividends.

Average annual performance of FUCHS shares and relevant benchmark indices
December 31, 2020

	1 Year	3 Years	5 Years	20 Years
Preference share *	8.1 %	4.2 %	3.7 %	25.6 %
Ordinary share *	–2.2 %	0.5 %	2.6 %	23.5 %
MDAX	8.8 %	5.5 %	8.2 %	10.6 %
DAX	3.5 %	2.0 %	5.0 %	3.6 %

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

Key figures for FUCHS shares

	December 31, 2020		December 31, 2019	
	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 €)	0.98[6]	0.99[6]	0.96	0.97
Dividend yield (in %) [1]	3.0	2.5	2.8	2.6
Distribution ratio (in %)	62		59	
Earnings per share (in €) [2]	1.58	1.59	1.63	1.64
Carrying amount per share (in €) [3]	11.4		11.2	
XETRA closing price (in €)	37.85	46.44	39.95	44.16
XETRA highest price (in €)	40.45	49.36	39.95	44.30
XETRA lowest price (in €)	24.95	26.86	30.05	30.62
XETRA average price (in €)	32.78	39.84	34.52	36.95
Average daily turnover XETRA and Frankfurt				
Shares	28,458	178,985	30,007	184,281
€ thousand	933	7,131	1,036	6,810
Market capitalization (in € million) [4]	5,858		5,846	
Price-to-earnings ratio [5]	21	25	21	23

[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 4, 2021.

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:

Telephone +49 621 3802 1105
Fax +49 621 3802 7274
E-mail ir@fuchs.com

Combined Management Report

1

Number 1 among independent lubricant manufacturers

~ 600 € million

Investments in the last five years

CO_2-neutral

CO_2-neutral production since 2020 ("gate-to-gate")

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

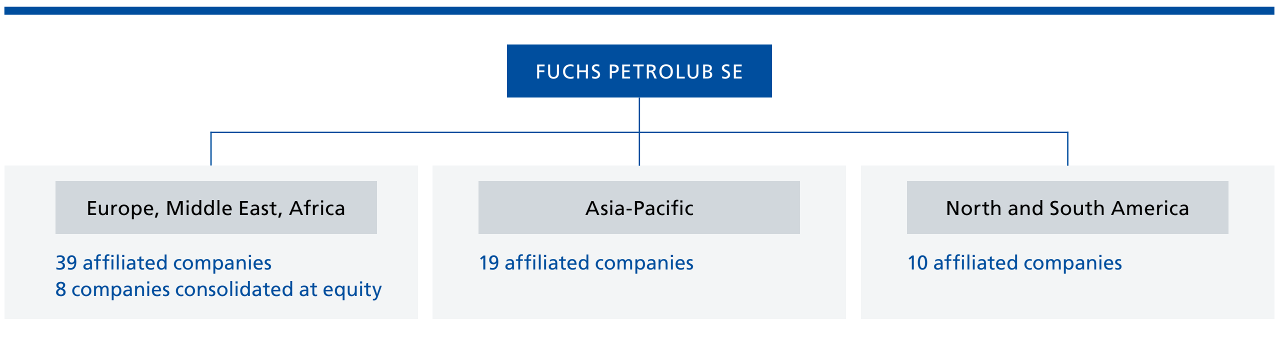
LUBRICANTS. 100% focus
Our focus is 100% on efficient lubricant solutions. For more than 90 years, we have been dedicated exclusively to the production, development, and sale of lubricants and related specialties and the performance of supplementary services. This clear focus allows us to be close to the market and react quickly and flexibly to our customers' requirements in a wide variety of application areas, as well as to meet a wide range of national and international standards.

Our broad product range comprises more than 10,000 products and can be roughly divided into automotive lubricants (mainly oils and greases) and industrial lubricants (mainly oils, greases, and metalworking fluids). It is rounded off by a comprehensive range of technical and process-related services. We thus operate as the only full-line supplier in a fragmented market that is characterized by a heterogeneous structure.

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 existing technology leadership in key application areas and also to establish and develop technology leadership in other strategically important application areas. We rely on the efficiency, reliability, safety and sustainability of our lubricants along the entire process and value chain.

Group structure



PEOPLE. Personal commitment
Around 5,700 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 based on our global presence and our extensive product and customer portfolio:

We are where our customers are. At the end of the reporting period, out of our 58 operating subsidiaries and eight companies consolidated at equity, 41 were active in the Europe, Middle East, Africa (EMEA) region, eight in the Americas, and 17 in the Asia-Pacific region. This broad geographical structure allows FUCHS to serve globally active customers worldwide while also offering local customers tailor-made solutions on site.

With 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.

Simple Group structure with largely decentralized management

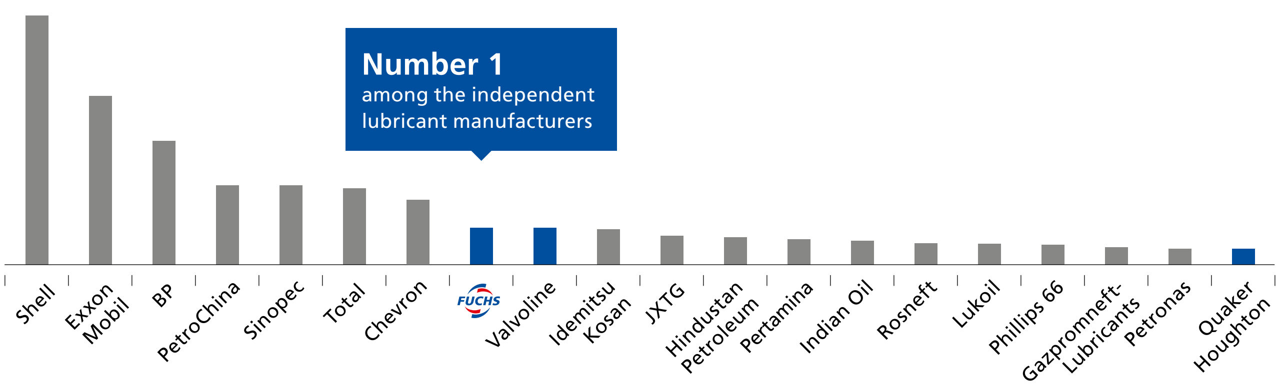
FUCHS’ Group structure has been kept intentionally simple. We generally hold 100 % of shares in all our subsidiaries directly. Exceptions to this are the joint ventures and associates in Africa, the Middle East, Saudi Arabia, and Turkey.

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 and the regional managers in charge of them. In addition, local managers are 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.

A competitive advantage built on our unique business model

Technology and innovation leadership	Strategically important product areas
FUCHS is fully focussed on lubricants	FUCHS is a full-line supplier
Independency allows reliability, customer & market proximity (responsiveness and flexibility) and continuity	Global presence, R & D strength, know-how transfer, speed
Advantage over major oil companies	**Advantage over other independent companies**

Ranking top 20 lubricant manufacturers [1]



[1] Market shares 2020 ■ Independent lubricant manufacturers ■ Major oil companies

Group strategy

FUCHS2025

New way of thinking for future challenges. Digitalization, e-mobility, globalized customer requirements – FUCHS operates in a highly dynamic world full of new challenges. We see these challenges as opportunities to shape our future and continue to achieve success. To this end, we have been working on our strategy and transformation program FUCHS2025 with an internal team since mid-2019, and published the cornerstones of this program in July 2020.

Culture, structure, strategy. The framework for FUCHS2025 consists of the three dimensions of culture, structure, and strategy. Concepts and content for these have been developed in collaboration with our employees.

Being First Choice. With the new vision “Being First Choice,” we reinforce and express our sharpened focus. Building on our strengths, we want to be first choice worldwide: for customers, employees, and investors.

Six strategic pillars. Our FUCHS2025 strategy is based on six strategic pillars. These serve as guidance for our strategic actions in order to fulfill our “Being First Choice” vision for 2025. Within each pillar, we have defined specific strategic goals.

Implementation. To take full advantage of the potential of our objectives, we focus on two main elements when it comes to implementation. Firstly, we have staffed the Group-wide topic areas on a project basis as strategic initiatives with global, cross-functional teams. In this way, we ensure that cultural, specialist, and market-specific viewpoints are incorporated in the implementation of the objectives. We also follow a holistic market segment approach that maps the development and implementation of the strategy in customer- and market-relevant activities. Along with the development of a segment-oriented organizational structure, we are increasingly focusing on innovation, service solutions, and new market perspectives.

Global Strength

- Use segmentation as a basis for strategic and global business development and align the organization accordingly
- Generate above-average growth in Asia-Pacific and North and South America, thereby achieving a balance between our regions
- Enhance brand appeal by 2025 with strong, differentiated positioning and clear brand architecture in all relevant FUCHS segments

Operational Excellence

- Introduce a global production and sales network; independent supply and technology centers in the three global regions by 2025
- Further standardize production and procurement processes, equipment, and output in order to improve efficiency in the supply chain
- Establish data transparency on the basis of global structures and harmonization of systems

Customer and Market Focus

- Establish the greatest possible proximity to customers – strengthen the principle of “One Face to the Customer” and take advantage of cross-selling opportunities: become the full-line supplier for our customers
- Increase our market share in order to taking a leading position in our target segments
- Develop a global service portfolio by 2025 – from a product-oriented to a solution-oriented approach
- Systematically introduce new business models in the broader lubricant environment

People and Organization

- Be the employer of choice for existing and future employees
- Optimize working conditions and promote cooperation
- Further improve development programs, skills models, and succession planning; strengthen global recruitment and retention of talented employees
- Promote the internationalization of business units, remote leadership, international job changes, etc.

Technology Leader

- Encourage innovation-oriented thinking and strengthen our innovative capabilities. Strengthen/establish our technology leadership in all defined target segments
- Introduce digital solutions and platforms to establish even closer connections with our customers beyond lubricants
- Bring skills and expertise at the three R&D centers in China, the US, and Germany to the same level by 2025

Sustainability

- Economic sustainability: Sustainable increase in sales revenues with an EBIT margin of 15% at Group level and corresponding growth of the FUCHS Value Added
- Environmental sustainability: CO_2-neutral “gate-to-gate” production since 2020, CO_2-neutral “cradle-to-gate” products by 2025. Support other projects for environmental sustainability
- Social sustainability: Support projects in the field of corporate social responsibility

Increase of company value

With FUCHS2025, FUCHS is continuing to pursue the objective of continually increasing the company value. We create values 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.

Independence

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) is the FUCHS Value Added (FVA). It is characterized by the strategic objective and combines 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 expenditure 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

FUCHS' R&D work in 2020 was at a similarly intensive high level as in the previous years, with 560 (600) projects. With 544 (521) employees and R&D expenses of €54 million (55), FUCHS is continuing its efforts to establish and extend its technological lead in strategically important areas and promote innovation.

As part of the FUCHS2025 strategy, we are continuing to base our organization on the regional concept with three technologically equivalent R&D centers in Europe, Asia, and North and South America. Active, focused dialog within our matrix structure brings agility to our activities.

With the aspiration of technology leadership, we managed to bring out successful product developments in selected areas, such as CEPLATTYN Cleaner and CASSIDA Chain Oil XTE.

- CEPLATTYN is a specialty cleaner with very good lubricating properties, which was developed worldwide for cleaning open gears and is used in the cement industry, mining, and energy production. Its cleaning performance contributes to efficiency increases, reduced machine downtime, and thus lower costs.
- CASSIDA Chain Oil XTE heralds a new era for high-temperature chain lubrication. With the development of this new technology, a significant improvement in lubrication performance and thermal stability can be achieved, as the chain oil remains stable at high temperatures, does not solidify, and thus maintains the flexibility and mobility of the chains.

Sustainability and environmental awareness are key topics in R&D. We are consistently continuing the activities and projects begun in this area in recent years. In this context, we are developing concepts for optimizing our raw material basis with regard to our CO_2 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 remain a focus of attention, and we are also increasingly applying our activities in polyurea greases and in the development of modern lubricating grease concepts, such as for electrical control with improved stick-slip behavior. Here, too, it is a question of globally advancing our knowledge and capabilities in development in all three regions.

Digitalization and big data are relevant topics in the R&D environment, and we have further developed our capabilities in this regard by applying design-of-experiments (DoE) methods and simulation models in our projects.

In 2019, we established a separate R&D department for e-mobility approaches, which collaborates worldwide as a matrix with researchers from all regions in order to develop our products further in line with the requirements. Our focus here is on product lines such as powertrain fluids, thermofluids, and greases.

Employees

In 2020, the number of employees worldwide increased due to acquisitions and is now around 5,700. Not including acquisitions, the number of employees decreased.

Cooperation in a globalized environment

For the purposes of our “ACT GLOBAL” objective within the framework of FUCHS2025, the activities we began in 2019 were continued in the reporting year. In particular, cross-border interaction between employees using collaborative tools increased further. The Covid-19 pandemic required a rethink of day-to-day cooperation from one day to the next. Using our modern IT infrastructure and virtual collaboration tools, this was made possible immediately. Covid-19 risks were largely minimized by changing the work models and work organization, for example by introducing rolling presence in connection with working from home for the office areas and by reorganizing existing shift models and work processes in production and laboratories. Covid-19 management was coordinated in close dialog worldwide, but depending on the respective local conditions, for example by sharing best practices from the start of the pandemic onward. Managers – while respecting our leadership principles, leadership behaviors, and the FUCHS mission statement – increasingly take on the role of interface managers between specialist departments and business units.

Besides the target-oriented development of communication structures across borders, the focus is on making communication free from hierarchies and open. Various global training courses and support materials were provided to implement cooperation in terms of non-hierarchical communication and a feedback culture. 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. The portfolio of management tasks also includes shaping and developing the corporate culture. It is important here to motivate employees worldwide to take part in order to break free of old structures and ways of thinking and adapt cooperation to the challenges of the future. As a result of Covid-19, managers' work on these topics has become more challenging, but has been managed very well through the use of remote leadership.

Digitalization in the working world

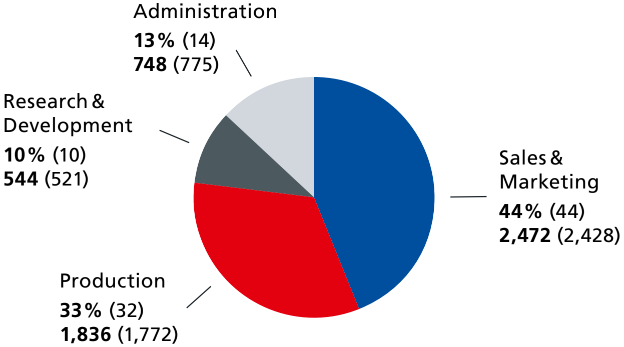
Constantly evolving digitalization offers a variety of opportunities to promote agile work in a global business. Our focus is on the design of digitalized operating processes and workflows in integrated system landscapes to make task processing more efficient and, as a result, to create more time for key interdisciplinary collaboration.

The digitalization of HR processes was supplemented and enhanced with additional elements in 2020. In particular, user-friendly electronic workflows were implemented.

Increased headcount

The FUCHS Group had 5,728 employees as of December 31, 2020, 128 of whom were trainees. The total workforce therefore increased by 101 or 2% year-on-year, due to acquisitions in particular.

Functional workforce structure *



*Excluding 128 (131) trainees

The number of employees declined by a total of 17 (–0.5%) in the EMEA region (Europe, the Middle East, and Africa) and by 8 (–0.9%) in the Asia-Pacific region. In North and South America, the number of employees grew by 117 (+16%) as against December 31, 2019, due to acquisitions. Adjusted for acquisitions, the number of employees was down 9%.

Geographical workforce structure

	Dec 31, 2020	in %	Dec 31, 2019	in %
EMEA	3,803	67	3,820	68
Asia-Pacific	924	16	932	17
North and South America	862	15	745	13
Holdings	139	2	130	2
Total	**5,728**	**100**	**5,627**	**100**
thereof Germany	1,676	29	1,670	30

Further strengthening the employer brand

In 2020, the focus was initially on internal branding, for example with the publication on our website of individual employees' success stories showing that "ACT GLOBAL" at FUCHS is possible for all employees in their career development. In this way, FUCHS is positioning itself as an employer that takes its motto "Explore and expand your possibilities" literally. The project "Talent acquisition, talent development, and employee retention" was also initiated in 2020 as part of the FUCHS2025 HR initiative. Based on the target group analysis of the need for particularly sought-after specialists that was performed in 2019, a worldwide branding concept is now being developed in a global and interdisciplinary project group. The aim is to ensure a globally consistent presentation of the employer brand.

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. Due to the pandemic, there were a number of restrictions, although these could be partly compensated by choosing alternative channels for contact (such as social media).

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 quickly switched to virtual formats in these areas, too, in order to continue our work here. We particularly focus on establishing contact with students who have made exceptional academic achievements and supporting their development, for example by offering foreign assignments at our global sites. Furthermore, we regularly offer internships, provide support for those writing their bachelor's or master's thesis, and encourage selected students with scholarships. A group program and ongoing support for our scholarship holders studying chemistry were offered for the first time in 2020. For example, a virtual meet-up with employees from the R&D department and the Executive Board members gave them the opportunity to discuss current issues in our industry as well as our products and innovations.

Attracting qualified specialists is still a particular challenge on all labor markets, and especially in Europe, India, China and the US, despite a slight decrease in new hires in all sectors as a result of the pandemic. In addition, the external conditions arising from the Covid-19 pandemic are making it more difficult to hire specialists. Contact is often made virtually at first so as to ensure a sufficient range in interesting candidate pools. New 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 smaller 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. At the same time, we want to focus not only specialist expertise, but also on hiring employees with the right, forward-looking attitude and corresponding behavior. For this purpose, a globally binding behavior-based skills model has also been established in a project as part of the strategic HR initiative FUCHS2025. This gives both internal and external parties a clear indication of what kind of behavior is desired and conducive to achieving the goals of FUCHS2025. Filling positions with employees from within the company also plays a major role for us. Accordingly, in the course of the continued Group expansion of the global divisions, particular attention was once again paid to promoting employees from within the company to the new attractive positions with a global focus in 2020.

Training

As of December 31, 2020, 85 (89) young people at our German subsidiaries took part in dual training programs. 28 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. Several internships were arranged at our subsidiaries last year, although in some cases the pandemic meant that they could then only be carried out virtually through collaboration with colleagues and on projects on site. Many of our current top performers are former FUCHS students, trainees and interns. Meanwhile, many management positions throughout the Group have been filled by our former students.

2.2 Macroeconomic and sector-specific conditions

Global economy driven into severe recession in 2020 by Covid-19 pandemic

Development of gross domestic product

in %	Forecast 2020	Actual 2020	Forecast 2021
Germany	1.1	–5.4	3.5
Eurozone	1.3	–7.2	4.2
USA	2.0	–3.4	5.1
China	6.0	2.3	8.1
Highly developed countries	1.6	–4.9	4.3
Developing and emerging countries	4.4	–2.4	6.3
World	**3.3**	**–3.5**	**5.5**

Source: International Monetary Fund (IMF)

- The global economy came under unexpected pressure in 2020, declining by 3.5 % to slide deep into recession.
- Starting from the low base of 2020, a strong recovery is anticipated in 2021. In many countries, however, the expectations for 2021 are below the pre-crisis level. There is also considerable uncertainty with regard to an economic recovery, according to the IMF. For example, it is not foreseeable how extensive the lockdown restrictions will be or how global vaccinations will progress. In addition, the IMF cites increases in raw material costs as a potential negative factor for 2021.
- The dramatic economic slump was triggered by the rapid global spread of the Covid-19 pandemic and strict lockdowns imposed to contain it.
- To support the economy, many countries set up generous stability packages at an unprecedented scale. With only a handful of exceptions, central banks also continued their very expansive monetary policy.
- The eurozone and Germany suffered a massive economic downturn during the first wave of cases in the spring, with domestic demand and exports coming under severe pressure. It was chiefly the upturn in industrial activity in the summer that prevented an even deeper recession. Lockdowns were tightened again towards the end of the year in many countries. A recovery is expected in 2021.
- China's economy declined in the first quarter but recovered quickly thanks to government stimulus and returned to growth over the course of the year. This should continue in 2021.
- The US was hit hard by the Covid-19 pandemic, with consumption, investments and exports severely strained at times in the first half of the year. This was followed by a recovery, a trend that looks set to continue in 2021.

Steel industry outside China under pressure in 2020, robust recovery expected in 2021

The negative impact on steel production caused by the Covid-19 pandemic varied between regions. While Europe and North America saw double digit losses, production in Asia picked up. While India, Japan and South Korea had to massively reduce production levels, China continued to step up production, increasing its global market share to around 57 %.

Development of crude steel production

in %	Forecast 2020	Actual 2020	Forecast 2021
Germany	1.5	– 10.0	13.4
Europe (EU)	1.1	– 11.8	11.0
Asia	1.8	1.6	2.5
North America	0.8	– 15.5	6.7
World	**1.7**	**– 0.9**	**4.1**

Source: World Steel Association (WSA)

A global economic upturn in 2021 should also benefit the key steel processing industries, the construction sector, the automotive industry and engineering, prompting a rise in demand for steel. The WSA industry association expects demand for steel to pick up robustly in 2021. It anticipates stagnation in China for the first time in many years.

Engineering slump in 2020, turnaround in 2021 thanks to industrial activity

The engineering sector was also unable to escape the negative impact of the Covid-19 pandemic in 2020. The German Engineering Industry Association (VDMA) issued a preliminary estimate for 2020 that anticipates a 6 % fall in global sales revenues from mechanical engineering. The eurozone suffered higher-than-average declines in sales revenues.

Development of engineering sales revenues

in %	Forecast 2020	Actual 2020	Forecast 2021
Germany	–2.0	–15.0	10.0
Eurozone	–2.0	–13.0	9.0
China	2.0	5.0	7.0
USA	–1.0	–8.0	6.0
World	**0.0**	**–6.0**	**7.0**

Source: VDMA

Development of passenger car sales

in %	Forecast 2020	Actual 2020	Forecast 2021
Germany	–4.0	–19.1	9.0
Europe	–2.0	–24.3	12.0
China	–2.0	–6.1	8.0
USA	–3.0	–16.8	9.0
World	**–1.0**	**–15.0**	**9.0**

Sources: Verband der Automobilindustrie (VDA), European Automobile Manufacturers Association (ACEA)

Development of chemical production*

in %	Forecast 2020	Actual 2020	Forecast 2021
Germany	0.5	–3.0	1.5
EU	1.5	–0.5	2.0
China	4.5	2.0	7.0
USA	1.5	–3.5	3.0
World	**3.0**	**0.3**	**4.8**

Sources: VCI, Cefic
* including pharmaceuticals

Given this tough environment, companies also reined in their investing activities.

Mechanical engineering should also recover in 2021 as the global economy begins to pick up again. More buoyant investment is also anticipated thanks to low interest rates and the continued progress made in digitalization. The VDMA is forecasting substantial growth in global sales revenues from mechanical engineering in 2021 across various regions, especially in Europe.

Automotive industry suffers sharp downturn in 2020, significant recovery in sight in 2021

The automotive industry came under massive pressure around the world in 2020, particularly as a result of the Covid-19 pandemic. While demand in China enjoyed a considerably upturn early in the year, the situation continued to take a toll on the key automotive markets Europe and the US, which suffered dramatic declines in 2020. Car sales also fell sharply in emerging markets. According to the sector association VDA, the global car market shrank by 15% overall.

The VDA expects to see an upturn in 2021, which will be reflected in high growth rates due to the low baseline from 2020. With the exception of China, however, car sales will not return to their pre-crisis level.

In line with expected sales revenue and export performance, the VDA expects automotive production in Germany to rise by 20% in 2021.

Robust chemicals industry in China in 2020, strong recovery likely in 2021

Despite the weak economic environment, global chemicals production rose by 0.3% in 2020. While chemicals production in China increased, levels in the US and Europe declined. Chemicals production in Germany shrank by 3.0%, the second year in a row it has fallen.

Prospects for the chemicals industry are expected to brighten again in 2021. Provided the Covid-19 pandemic can be resolved, the VCI expects global chemicals production to pick up by 4.8%, with growth anticipated in all regions. The VCI believes that chemicals production in China will rise by a very considerable 7.0%, with a visible upturn also expected in the US. For Germany, the VCI forecast is for production growth of 1.5% – a comparatively modest recovery.

Slight growth expected in global demand for lubricants

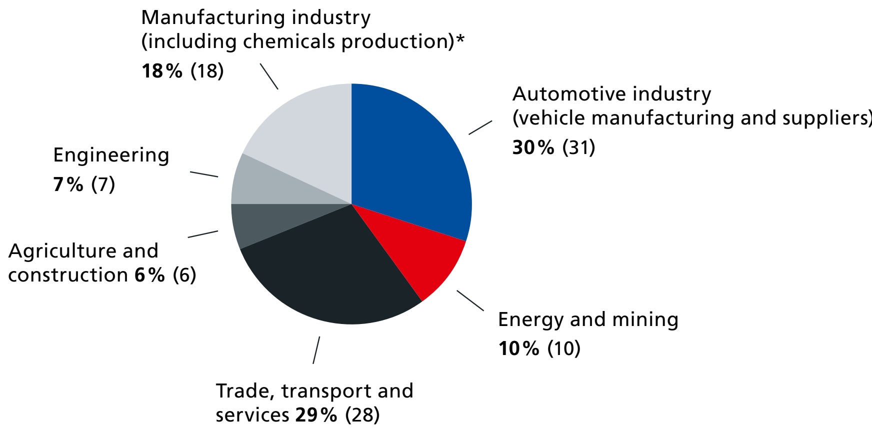
According to the Kline study from 2020, the global demand for lubricants will increase slightly in the period from the end of 2019 until 2023, with a compound annual growth rate of 0.3%. Growth in the Europe region (0.4%) is expected to be driven chiefly by Russia (1.1%). The slight 0.1% decline in the North and South America region can essentially be attributed to a decrease in volume in the US (–0.9%), which is nonetheless almost offset by revived demand in Brazil (1.8%) and Mexico (2.0%). Average annual growth expectations of 0.5% in the Asia-Pacific region and the rest of the world primarily reflect upturns in India (1.8%) and in numerous African countries. For 2023, global demand for lubricants of around 37.4 million tons is anticipated. This corresponds to an increase of around 0.5 million tons compared to the initial level from 2019. The positive trend in demand for higher-quality lubricants, which is supported by new technical standards in industrialized countries in particular, is continuing.

Development of lubricant requirements

in %	Compound annual growth rate (2019–2023)
Europe	0.4
Asia-Pacific and rest of the world	0.5
North and South America	–0.1
World	**0.3**

Source: Kline study

Breakdown of Group sales revenues by customer sector



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

2.3 Business development in 2020 – forecast comparison

As a result of the outbreak of the Covid-19 pandemic and its drastic effects on economic activity, the FUCHS Group was forced to suspend its original forecast for the most important key performance indicators as of the first quarter of 2020. The forecast for EBIT was then resumed and improved twice over the course of the financial year. Due to the extraordinary upheaval caused by the Covid-19 pandemic, the expectations defined for the performance indicators at the beginning of the year could not be achieved in 2020, however EBIT was down only 3% year-on-year at €313 million.

The most important key performance indicators are detailed below:

- Sales revenues declined by €194 million (–8%) to €2,378 million.
- EBIT declined by €8 million (–3%) to €313 million.
- FVA decreased from €174 million to €165 million.
- Free cash flow before acquisitions was €238 million (175).

The forecast was regularly reviewed and adjusted over the course of the year. → # Comparison of actual vs. forecasted business development

Comparison of actual vs. forecasted business development

Performance indicator	Forecast 2020	Actual 2020	Evaluation
Sales revenues	+0% to +4%		
	April 30, 2020: Suspension of the full-year forecast due to the Covid-19 pandemic	–8%	–
EBIT	+0% to +4%		
	April 30, 2020: Suspension of the full-year forecast due to the Covid-19 pandemic		
	July 27, 2020: Decline in earnings in the range of –25%		
	October 15, 2020: Decline in earnings in the range of –15%		
	January 11, 2021: Decline in earnings in the mid-single-digit percentage range	–3%	Exceeded
FVA	around €170 million		
	April 30, 2020: Suspension of the full-year forecast due to the Covid-19 pandemic	€165 million	–
Free cash flow before acquisitions	around €130 million		
	April 30, 2020: Suspension of the full-year forecast due to the Covid-19 pandemic	€238 million	–

The lockdown imposed due to the Covid-19 pandemic led to drastic declines in sales revenues, which took effect in the second quarter in particular. A recovery in sales revenues took place sequentially in the third quarter already and continued in the fourth quarter. In the final quarter, the sales revenues from the same quarter of the previous year were exceeded. However, sales revenues for the full year with –8% year-on-year, were considerably below the original forecast.

FUCHS countered the substantial decline in sales revenues by controlling costs. Measures to cut staff costs and material costs were implemented – but with a sense of proportion and without making major cutbacks or jeopardizing future projects. As a result, the Group's function costs were reduced in 2020 as compared to the previous year. FUCHS also benefited from falling raw material prices over the course of the year.

We systematically continued our investment program in 2020, investing €122 million (154) mainly in property, plant and equipment. In addition to this, significantly more funds were released from net operating working capital (NOWC) – particularly by reducing inventories – and advance tax payments were reduced. Accordingly, free cash flow before acquisitions was up €63 million year-on-year at €238 million, despite the decline in earnings.

With a reduced cost of capital of 9.5% (10.0), FVA is below the previous year's level at €165 million (174) as a result of the lower EBIT.

2.4 Group performance and results

Sales revenues (performance)

Regional development of sales revenues by company location

in € million	2020	2019	Organic growth	External growth	Currency translation effects	Total change absolute	Total change in %
EMEA	1,446	1,579	–108	1	–26	–133	–8
Asia-Pacific	698	718	–9	5	–16	–20	–3
North and South America	387	418	–60	47	–18	–31	–7
Sales revenues before consolidation	2,531	2,715	–177	53	–60	–184	–7
Consolidation	–153	–143	–10	0	0	–10	–
Total	**2,378**	**2,572**	**–187**	**53**	**–60**	**–194**	**–8**

Sales revenue declines 8% in difficult economic environment due to pandemic

In a year that was dominated by the Covid-19 pandemic, FUCHS generated sales revenues of €2,378 million (2,572) and limited its organic sales revenue decline to €187 million or 7%. External growth of €53 million (+2%) was more than offset by growing negative currency effects over the course of the year, which totaled €60 million (–3%).

Growth factors

	in € million	in %
Organic growth	–187	–7
External growth	53	2
Effects of currency translation	–60	–3
Growth in sales revenues	**–194**	**–8**

Asia-Pacific region slightly increases its share of total sales revenues

The effects of the pandemic impacted the different regions of the world to varying degrees. The Asia-Pacific region recovered early and limited its sales revenues decline over the year to 3%. By contrast, the EMEA region (Europe, Middle East, Africa) recorded a decline in sales revenues of 8%, while North and South America saw a 7% decline despite strong external growth.

The share of unconsolidated total sales revenues attributable to the EMEA region thus decreased again slightly from 58% to 57%, whereas the North and South America region's share remained unchanged and Asia-Pacific's share grew by one percentage point to 28%.

Strong year-end spurt reduces organic sales revenue declines in all regions

Influenced by the geographical spread of the Covid-19 virus and the different measures taken to contain the pandemic, business developed very differently in some cases in the FUCHS Group's three regions over the course of 2020.

Initially, it was the Asia-Pacific region that was hit hard by the pandemic and the subsequent economic slump. The region's organic sales revenue declines in the first three months of the year came to no less than 16%. But after the end of the strict and extensive lockdown, China and thus the region as a whole started to recover at the beginning of the second quarter already. Organic growth of 8% was generated in the third quarter and continued with 5% in the fourth quarter. The organic sales revenue decline for the full year was thus reduced to 1%. However, negative currency effects of 2% when translated into euro

Group sales revenues by customer location

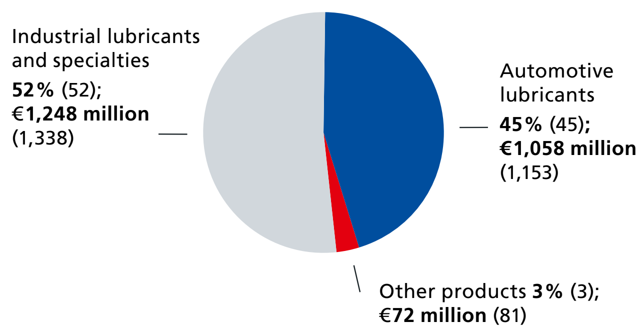
in € million	2020	Share in %	2019	Share in %	Change absolute	Change in %
EMEA	1,237	52	1,371	53	–134	–10
Asia-Pacific	743	31	765	30	–22	–3
North and South America	398	17	436	17	–38	–9
Total	**2,378**	**100**	**2,572**	**100**	**–194**	**–8**

further reduced sales revenues, resulting in an overall decline in sales revenues of 3% for Asia-Pacific.

Still largely unaffected by the Covid-19 pandemic, EMEA started the year modestly with a first quarter at the previous year's level. As the virus spread to Europe and lockdowns were imposed in several countries, there was then a sharp slump in sales revenues in the second quarter. The organic sales revenue declines came to 26% and were further exacerbated by a negative exchange rate development, meaning that the region saw a year-on-year decrease in sales revenues of 28% in the period from April to June. In the following months, the positive development of the pandemic and a recovery in economic conditions reduced the organic declines to 6% and the decline in total sales revenues to 8% in the third quarter. There was then an encouraging year-end spurt in the fourth quarter with positive organic growth of 5%, although this was diminished by increasingly negative exchange rate effects that reduced overall growth in the fourth quarter to 2%. For the full year, the region recorded an organic decline of 7% and slightly negative exchange rate effects, resulting in an overall decline of 8% compared to 2019.

In North America, the modest end of 2019 continued with a difficult start to 2020. The weak development of the automotive industry, and of the mining industry in North America, resulted in organic sales revenue losses of 6% in the first quarter, although external growth of 10% more than compensated for this. In the following quarter, the pandemic then hit the North and South America region with full force. The region posted organic declines of more than 40%, which were mitigated but no longer compensated for by further strong external growth of 10%. As in EMEA, the situation improved considerably in the third quarter: Although North and South America saw another decline in sales revenues, this was lower than in the previous quarter at 11% and was almost offset by consistently high external growth of 10%. The quarterly result was significantly adversely affected by negative exchange rate effects of 6%. These intensified considerably to as much as 10% in the fourth quarter. Nonetheless, there was a positive year-end spurt in North and South America, too: External growth increased to 15% and organic growth of 3% was generated, which was particularly pleasing after the difficult preceding months. This reduced the organic sales revenue decline for the full year to a still high level of 14%, exacerbated by negative exchange rate effects of 4% and only partly compensated for by external growth of 11%. Overall, sales revenues for the full year declined by 7%.

Breakdown of Group sales revenues by product groups



Results of operations

Group results of operations

in € million	2020	in %	2019	in %	Change
Sales revenues	2,378	100.0	2,572	100.0	–194
Cost of sales	–1,524	–64.1	–1,682	–65.4	158
Gross profit	854	35.9	890	34.6	–36
Other function costs	–551	–23.2	–580	–22.5	29
EBIT before income from companies consolidated at equity	303	12.7	310	12.1	–7
Income from companies consolidated at equity	10	0.5	11	0.4	–1
EBIT	313	13.2	321	12.5	–8
Financial result	–5	–0.2	–4	–0.2	–1
Income taxes	–87	–3.7	–89	–3.4	2
Earnings after tax	**221**	**9.3**	**228**	**8.9**	**–7**

EBIT by only 3% lower at €313 million thanks to improved gross margin and cost savings

In a difficult economic environment due to the pandemic, FUCHS generated EBIT of €313 million (321) in the past financial year. While sales revenues declined by 8% to €2,378 million (2,572), EBIT was down only 3% year-on-year thanks to an improved gross margin and cost savings. Earnings after tax fell from €228 million to €221 million.

FUCHS benefited from a positive mix effect in 2020, which was supported by the development of raw material prices. As a result, the gross margin improved by 1.3 percentage points to 35.9% (34.6) despite the slight increase in production costs due to investments. Gross profit therefore declined to a lesser extent than sales revenues, falling by 4% to €854 million.

The development of other function costs reflects the cost-saving measures taken by the FUCHS Group. These costs were reduced by €29 million, and by as much as roughly €50 million after adjustment for acquisitions. Although staff costs rose slightly, primarily due to inflation, and depreciation and amortization also increased as a result of continued high investments, there were some significant cost reductions in many other areas such as travel expenses. In addition, FUCHS received support in many countries to cushion the impact of the Covid-19 pandemic in a total amount of €10 million in the past financial year. However, other function costs as a proportion of sales revenues nonetheless worsened from 22.5% to 23.2% due to the substantial decline in sales revenues.

EBIT before income from companies consolidated at equity (EBIT before at equity), defined as the balance of gross profit and other function costs, was down €7 million or 2% on the previous year at €303 million (310). The margin of EBIT before at equity improved from 12.1% to 12.7%.

Income from companies consolidated at equity (at equity income) was €1 million lower than in the previous year at €10 million. In particular, income from our joint venture in Saudi Arabia was down year-on-year due to the negative impact of the pandemic.

EBIT therefore fell by €8 million or 3% to €313 million. Earnings after tax declined by €7 million – also equivalent to 3% – to €221 million.

The tax rate (income taxes relative to earnings before tax not including income from companies consolidated at equity) rose marginally from 29.1% to 29.2%.

Based on earnings after tax of €221 million (228), the net profit margin improved year-on-year to 9.3% (8.9). Earnings per ordinary and preference share decreased by €0.05 or around 3% to €1.58 (1.63) and €1.59 (1.64) respectively.

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

Europe, Middle East, Africa (EMEA)

Segment information for EMEA [1]

in € million	2020	2019
Sales revenues by company location	1,446	1,579
Organic growth	–108 (–7%)	–36 (–2%)
External growth	1 (0%)	–
Currency translation effects	–26 (–1%)	–3 (0%)
EBIT before at equity	158	156
At equity income	10	11
Segment earnings (EBIT)	168	167
Capital expenditure	75	97
Acquisitions [2]	3	0
Employees as of December 31	3,803	3,820

[1] For further information, refer to the financial report: "Segments".
[2] Additions to property, plant and equipment and intangible assets.

Declines in sales revenues at almost all entities, with only a few exceptions

After a financial year dominated by the Covid-19 pandemic, the EMEA region's sales revenues saw a decline of 8%. Sales revenues were down around €133 million year-on-year at €1,446 million (1,579). The effects of the pandemic did not leave any national economy unscathed, or consequently any of our companies in the region. With the exception of Russia, South Africa, and a few smaller trading companies, the companies recorded substantial organic declines in sales revenues. These exceeded 10% in many cases, for example at our companies in France, Spain, and the UK.

Sales revenues were also impacted by negative exchange rate effects of €26 million, which resulted in particular from the weakness of the Russian ruble and the South African rand.

EBIT up slightly year-on-year at €168 million despite substantial sales revenue declines

Despite significant sales revenue declines of around €133 million, the region managed to exceed the previous year's segment earnings (EBIT) by €1 million.

This positive earnings development in an environment of slightly decreasing raw material prices was facilitated firstly by an improvement in the gross margin and secondly by consistent cost management. Cost savings were achieved particularly by doing without leased employees, by limiting travel and advertising activities, and also by freezing recruitment and making use of short-time work programs. As a result, the margin of EBIT before at equity of rose from 9.9% to 10.9%.

At equity income contributed €10 million to the region's segment earnings, which was €1 million less than in the previous year. Our joint venture in Saudi Arabia particularly suffered from the effects of the Covid-19 pandemic.

Investment volume down significantly year-on-year, but still at high level of €75 million

The Group invested heavily in the EMEA region again in 2020. At €75 million, investments were around €22 million lower than the record volume from 2019, but still remained at a high level. Approximately 40% of these investments were attributable to the German sites in Mannheim, Kiel, and Kaiserslautern. While in Kaiserslautern this particularly related to the completion of the PU specialty grease plant, in Mannheim and Kiel there were several projects to modernize and expand the plants.

Apart from the PU specialty grease plant, the biggest single investment in the region was made in Sweden, where the new production plant was opened in the summer after four years of planning and construction. There was another opening to celebrate in the UK: In this case, it marked the completion of a raw materials warehouse that will help optimize material flows at the site. In South Africa, the purchase of an adjacent plot of land formed the basis for future expansion of the plant. At many other sites in the region, the infrastructure improvements, modernizations, and expansions of the previous years were continued in several smaller projects.

Asia-Pacific

Sales revenues at previous year's level before negative exchange rate effects

In the Asia-Pacific region, sales revenues declined by 3 % or €20 million from €718 million to €698 million. Slumps in sales revenues in the first quarter were followed by a rapid turnaround and a significant recovery that reduced the organic sales revenue decline for the full year to €9 million or 1 %. The main driving force behind this development was China, where a slight organic increase in sales revenues was achieved in comparison to the previous year. However, all other companies in the region, with the exception of Singapore, were affected by organic sales revenue declines.

The acquisition of a lubricants manufacturer for the automotive retail sector in Australia, which had taken place in April of the previous year, provided the region with slight external growth of €5 million, at least in the first quarter. By contrast, the acquisition of a long-standing commercial partner in Australia in the third quarter of the current year had hardly any impact.

Higher gross profits and cost savings result in improved earnings

After a decline in earnings in the previous financial year, the Asia-Pacific region generated EBIT of €100 million, up €7 million or 8 % year-on-year, in a difficult economic environment and despite a 3 % decline in sales revenues.

Segment information for Asia-Pacific[1]

in € million	2020	2019
Sales revenues by company location	698	718
Organic growth	–9 (–1 %)	–9 (–1 %)
External growth	5 (0 %)	17 (2 %)
Currency translation effects	–16 (–2 %)	4 (1 %)
EBIT before at equity	100	93
At equity income	0	0
Segment earnings (EBIT)	100	93
Capital expenditure	22	31
Acquisitions[2]	0	8
Employees as of December 31	924	932

[1] For further information, refer to the financial report: "Segments".
[2] Additions to property, plant and equipment and intangible assets.

The Asia-Pacific region benefited from positive developments in raw materials prices and in the product mix. At the same time, it succeeded in reducing costs thanks to strict cost control and cost-cutting measures. As a result, not only was EBIT increased year-on-year, but the EBIT margin was improved considerably from 13.0 % to 14.3 %.

Investments focused on China

Investments in property, plant and equipment in the region focused primarily on China. In Shanghai, the expansion of the Chinese administrative headquarters and the research laboratories was completed. At the new Wujiang site that was opened in 2019, additional investments laid the foundations for expanding business with demanding OEM customers. In Yingkou, the grease plant was modernized and expanded. Other significant investments were made in Australia with the continued modernization of the Sunshine site.

North and South America

Strong external growth at least partly compensates for high organic declines and negative exchange rate effects

The US and thus the region as a whole were hit particularly hard by the effects of the Covid-19 pandemic. Despite the year-end spurt, the region's organic sales revenue declines came to a significant 14 % for the full year. The development of sales revenues was also adversely impacted by negative exchange rate effects, particularly in the second half of the year. The weakness of the US dollar and of the Brazilian real, as well as further depreciation of the Argentinian peso, all contributed to a negative exchange rate effect of 4 %.

These significant organic and currency-related declines were partly offset by strong external growth of €47 million or 11 %. North America benefited from multiple company acquisitions. Back in November of the previous year, a Canadian service company offering services in the fields of lubricants and chemicals process management (CPM) had been acquired. This was followed in January of the past financial year by the acquisition of Nye, a major manufacturer of synthetic high-performance lubricants, and finally in early November by the acquisition of PolySi, a company specializing in silicone greases.

Overall, the region nonetheless saw a decline in sales revenues of 7 % or €31 million from €418 million to €387 million.

Segment information for North and South America [1]

in € million	2020	2019
Sales revenues by company location	387	418
Organic growth	–60 (–14 %)	–3 (–1 %)
External growth	47 (11 %)	1 (0 %)
Currency translation effects	–18 (–4 %)	11 (3 %)
EBIT before at equity	42	49
At equity income	0	0
Segment earnings (EBIT)	42	49
Capital expenditure	13	22
Acquisitions [2]	127	3
Employees as of December 31	862	745

[1] For further information, refer to the financial report: "Segments".
[2] Additions to property, plant and equipment and intangible assets.

Significant decline in earnings with EBIT down 14 %

In the first half of the year, the North and South America region experienced a significant decline in earnings of around 50 %. Although there was a slight recovery in the second half of the year, total EBIT for the financial year 2020 nonetheless declined by €7 million, or a substantial 14 %, as against the previous year. Without Nye's contribution, there would have been a decline of €11 million.

The gross margin in North and South America also improved considerably year-on-year as a result of lower raw material prices, mix effects, and the acquisition of Nye. Gross profit therefore decreased at a slower rate than sales revenues. Other costs rose as a result of the acquisition of Nye. Consequently, the margin of EBIT before at equity fell further from 11.7 % to 10.9 %.

Modernization continued with investments of €13 million

Around €13 million was invested in the North and South America region in the past financial year. Once again, the majority of these investments were for the sites in the US, where the extensive modernization and expansion investments of the previous years were continued. Alongside several smaller projects, further progress was made on the modernization of the grease plant in Kansas and the expansion of office space at the Harvey site, also in Kansas.

2.6 Net assets and financial position

Balance sheet structure

Financial position

	December 31, 2020		December 31, 2019		
	in € million	in %	in € million	in %	Change in € million
Goodwill	236	11	175	9	61
Other intangible assets	117	6	94	4	23
Property, plant and equipment	700	33	647	32	53
Other non-current assets	93	4	85	4	8
Non-current assets	**1,146**	**54**	**1,001**	**49**	**145**
Inventories	359	17	381	19	–22
Trade receivables	369	17	381	19	–12
Cash and cash equivalents	209	10	219	11	–10
Other current assets	37	2	41	2	–4
Current assets	**974**	**46**	**1,022**	**51**	**–48**
Total assets	**2,120**	**100**	**2,023**	**100**	**97**

Increase in total assets due to investments and acquisitions

In the past year, total assets increased by 5% or €97 million to €2,120 million as of December 31, 2020. In addition to the continued growth and investment initiative, this development was mainly driven by the acquisitions made in the past financial year.

Property, plant and equipment rose significantly by €53 million or 8% as a result of investments and acquisitions. Among other effects, our acquisition activities in North America also resulted in a €61 million increase in reported goodwill and contributed significantly to the €23 million increase in other intangible assets. The acquisition of shares in long-standing distributors in Africa brought about an increase in other non-current assets due to their recognition under shares in companies consolidated at equity.

Equity ratio remains at high level of 75%

Equity was increased again, even in the past difficult financial year. It rose by €19 million compared to the previous year. Due to the increase in total assets, the equity ratio fell slightly to 75% (77).

Non-current liabilities increase, primarily due to company acquisitions

There was equity of €1,580 million and liabilities of €540 million as of December 31, 2020. Thereof, €131 million (6% of total assets) and consequently €42 million (+47%) more than in the previous year was attributable to non-current liabilities.

Pension provisions, which, having been financed out in previous years, largely relate to our companies in Germany and the UK, increased from €36 million to €43 million. As in the previous year, this increase was mainly due to the remeasurement of provisions as a consequence of falling interest rates.

The increase in non-current liabilities was largely attributable to the acquisitions made in the past financial year. Firstly, deferred tax liabilities saw an increase of €9 million to €41 million (32), primarily due to acquisitions. Secondly, purchase price liabilities made a significant contribution to the rise in other non-current liabilities.

Increased tax liabilities reflected in rise in current liabilities

As well as non-current liabilities, current liabilities also increased in the past 12 months. The balance sheet shows a sum of €409 million (373) as of December 31, 2020, representing an increase of €36 million or 10%.

Firstly, trade payables were up 6% or €14 million at €233 million (219). The Group thus financed around 11% of its assets with them as of the end of the reporting period.
→ # 46 Capital structure

Capital structure

	December 31, 2020		December 31, 2019		
	in € million	in %	in € million	in %	Change in € million
Total equity	**1,580**	**75**	**1,561**	**77**	**19**
Pension provisions	43	2	36	2	7
Deferred taxes	41	2	32	2	9
Non-current financial liabilities	16	1	14	1	2
Other non-current liabilities	31	1	7	0	24
Non-current liabilities	**131**	**6**	**89**	**5**	**42**
Trade payables	233	11	219	11	14
Provisions	18	1	24	1	–6
Financial liabilities	14	1	12	0	2
Other current liabilities	144	6	118	6	26
Current liabilities	**409**	**19**	**373**	**18**	**36**
Total equity and liabilities	**2,120**	**100**	**2,023**	**100**	**97**

Use of capital employed*

in € million	2020	2019	Change absolute	Change in %
Property, plant and equipment*	670	587	83	14
Intangible assets*	325	276	49	18
Net operating working capital (NOWC)*	544	584	–40	–7
	1,539	**1,447**	**92**	**6**
Other items*	23	23	0	–
Capital employed*	**1,562**	**1,470**	**92**	**6**

*Average figures, each based on five quarterly values.

Secondly, the tax liabilities reported under other liabilities increased significantly. This clearly reflected the volatile business development of the past year. In view of the declines in sales revenues and earnings caused by the pandemic in the first half of the year, advance tax payments were reduced. The unexpectedly fast recovery in sales revenues and earnings, and particularly the positive development in the fourth quarter, resulted in considerably higher tax liabilities at the end of the year in comparison to the previous year.

In addition to the reported liabilities, there were contractual investment obligations of €31 million (64) at the reporting date. With the completion of several construction projects in the past year, these decreased by €33 million compared to the previous reporting date. A total of €14 million, representing almost half of the existing investment obligations, was attributable to German companies. This related to the construction of the new office building for the holding company and various individual projects at the sites in Mannheim, Kaiserslautern, and Kiel. In addition, there were fairly high obligations for our companies in Belgium and China, also for various individual projects.

Net liquidity at high level

Even after a generally challenging financial year due to the pandemic and after considerable investments and acquisitions, FUCHS still has high net liquidity of €179 million (193). Due to a slight increase in financial liabilities (up €4 million) combined with lower cash and cash equivalents (down €10 million), the net financial position is down €14 million on the previous year's level.

Reduction in NOWC

Compared with the end of 2019, NOWC (calculated as the balance of inventories plus trade receivables minus trade payables) fell by €48 million to €495 million (543). The improvement in all components of NOWC, i.e. both the decrease in inventories and receivables and the increase in trade payables, along with high fourth-quarter sales revenues, allowed not only for an absolute reduction of NOWC but also a reduction of NOWC in relation to annualized fourth-quarter sales revenues from 21.8 % in the previous year to 19.4 % as of the end of the financial year. This represents an improvement in the average capital tie-up period of 9 days to 71 days (80).

On average over five quarters, the FUCHS Group employed 43 % of its capital for property, plant and equipment, 21 % for intangible assets and 35 % 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 6 %.

Capital expenditures and acquisitions

Capital expenditure

Almost €600 million in five years: Investment initiative completed

With investments of around €122 million, in 2020 FUCHS completed the investment initiative that it had begun in 2016. Within five years, almost €600 million was invested in property, plant and equipment and in intangible assets. New sites were established and existing plants were expanded and modernized. Following the end of the investment initiative, a permanent reduction in the investment volume to the level of depreciation and amortization is planned from next year onward.

As in the previous years, the expansion and modernization measures in 2020 particularly focused on the EMEA region, where €75 million or around 60 % of the Group's investments were made.

In many parts of the region, the local companies completed major projects from the past years. Sweden has been manufacturing products at its new lubricants plant in Fors since the middle of the year, Kaiserslautern further expanded its position as a specialty lubricants site with the commissioning of its new PU specialty grease plant, and Russia celebrated the completion of its plant expansion at the Kaluga site in the summer after around two years of planning and construction, doubling its production capacity and thus laying the foundations for further growth. The UK completed its high-rack warehouse with space for around 3,900 pallets of raw materials.

In South Africa, the purchase of an adjacent plot of land laid the foundations for future expansion of the plant.

In Mannheim, as at a number of other European sites, the modernization and optimization of the production facilities was continued as part of several smaller projects.

Investments of €22 million were carried out in Asia-Pacific. Once again, investment activities here focused on China. In Shanghai, staff could move into both the new and expanded administrative headquarters for China business and the new research and development laboratories in the fourth quarter. In Yingkou, investments mainly focused on the expansion and automation of the grease plant there. At the Wujiang site, progress was made on expanding the production facilities to cater to OEM customers. Outside China, the modernization of the Sunshine site in Australia was continued.

Investments in the North and South America region came to around €13 million. In the US, the modernization of the site in Kansas was continued and in particular investments were made in additional production tanks for the final treatment of lubricating greases, while at the Harvey site the expansion of office space was completed.

Finally, outside the regions, investments were also made for the holding company. After breaking ground in the spring, the construction of the new corporate headquarters in Mannheim progressed rapidly over the course of the year.

Depreciation and amortization

Further increase in depreciation and amortization

As a result of the significant increases in investments, scheduled depreciation and amortization of property, plant and equipment and intangible assets increased again from €73 million in 2019 to €80 million in 2020.

Acquisitions

In the past financial year, our acquisition activities focused on North America. Thanks to the acquisition of two niche providers, we not only further expanded and consolidated our presence there, but also broadened our product portfolio for the entire Group with some promising segments.

Back in January 2020, FUCHS completed the acquisition of Nye, a manufacturer of synthetic high-performance lubricants based in Fairhaven in the US state of Massachusetts. This was followed in November by the acquisition of PolySi, a leading company in the formulation and production of silicone greases, based in Sanford, North Carolina, USA.

Both in EMEA and in Asia-Pacific, trusting cooperation with long-standing commercial partners led to the acquisition of shares in companies in 2020. Right at the beginning of 2020, we expanded our presence on the continent of Africa with the acquisition of a 50% share in each of three long-standing distributors based in Zimbabwe, Zambia, and Mozambique with effect from January 2, 2020. These are recognized in the FUCHS consolidated financial statements under shares in companies consolidated at equity. In Australia, Italy, and Finland, the business of smaller, long-standing commercial partners was acquired.

Statement of cash flows

Statement of cash flows

in € million	2020	2019
Earnings after tax	221	228
Depreciation, amortization and impairment	80	79
Change of NOWC	34	45
Other changes	25	–23
Cash flow from operating activities	**360**	**329**
Investments in non-current assets	–122	–154
Free cash flow before acquisitions	**238**	**175**
Acquisitions/divestments	–114	–13
Free cash flow	**124**	**162**

Cash flow from operating activities increased significantly

Despite the fact that earnings after tax were €7 million lower than in the previous year, cash flow from operating activities was up €31 million year-on-year in 2020. In addition to higher tax liabilities, the significant release of funds resulting from a reduction in NOWC had a positive impact.

The €31 million increase in cash flow from operating activities and the decline in investments from €154 million to €122 million resulted in free cash flow before acquisitions of €238 million, up €63 million on the previous year.

Following payments for acquisitions (€115 million) and cash and cash equivalents acquired through acquisition (€1 million), free cash flow of €124 million (162) remained in the reporting year.

Dividends to shareholders of €135 million (131) were paid from this free cash flow. Cash and cash equivalents decreased by €10 million to €209 million (219).

Liquidity situation, financing structure, and dividend policy

Liquidity development and financing strategy

At the end of the past reporting year, FUCHS also had a significant level of cash and cash equivalents. These amounted to €209 million (219) as of December 31, 2020. The high level of cash and cash equivalents gives the Group flexibility and independence. As demonstrated over the course of 2020, the strong liquidity situation allows for 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 €178 million (190) 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): → 30 Controlling system

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

WACC 2020

Basic data[1]:

- Shareholders' equity costs[2] = 7.5 % (8.2) after and 10.7 % (11.7) before tax
- Borrowing costs[3] = 0.4 % (0.7) after and 0.6 % (1.0) before tax
- Financing structure[4] = 87 % (86) shareholders' equity and 13 % (14) borrowed capital
- Group tax rate = 30 % (30)

[1] Empirical financial market data as of December 31, 2020.
[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.

From the basic data at December 31, 2020, there is a WACC of 9.4 % (10.2) before tax and 6.6 % (7.1) after tax.

In view of a persistently low interest-rate environment and another cut in the base rate, a WACC of 9.5 % (rounded) before tax and 6.5 % after tax is used, which is 0.5 percentage points lower than in the previous year.

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).

The continued significant investments undertaken as part of the growth program demanded additional capital again in 2020. However, given the reduction in the WACC to 9.5 % (10.0), capital costs increased only slightly by €1 million (+1 %). At the same time, EBIT decreased by €8 million. In total, this resulted in a €9 million reduction in FVA to €165 million (174).

Falling earnings and rise in tied-up capital reduce FVA

in € million	2020	2019	Change absolute	Change in %
EBIT	313	321	−8	−3
Capital employed				
Total equity*	1,543	1,499	44	3
+ financial liabilities*	50	26	24	92
+ net pension provisions*	38	31	7	23
+ amortized goodwill*	85	85	–	–
– cash and cash equivalents*	154	171	−17	−10
Total capital employed	1,562	1,470	92	6
WACC (in %)	9.5	10.0	−0.5	−5
Capital costs	148	147	1	1
FVA	**165**	**174**	**−9**	**−5**

*Average figures, each based on five quarterly values.

Five-year overview of FVA and its components

in € million	2020	2019	2018	2017	2016
EBIT	313	321	383	373	371
Average capital employed	1,562	1,470	1,317	1,227	1,134
Capital costs	148	147	132	123	114
WACC (in %)	9.5	10.0	10.0	10.0	10.0
FVA	165	174	251	250	257

Liquidity as a performance indicator

Liquidity

FUCHS 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 2020, the FUCHS Group generated free cash flow before acquisitions of €238 million (175), of which €135 million (131) was distributed to shareholders. A total of €114 million (13) was spent on acquisitions. Cash and cash equivalents therefore decreased by €10 million overall. Even in the challenging economic environment due to the pandemic in 2020, the Group's liquidity situation was still very good.

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 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. External growth was generated in the North and South America region in particular. Further 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 measures the profitability of its business through earnings before interest and tax. In 2020, EBIT fell 3% 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	2020	2019	2018	2017	2016
Free cash flow before acquisitions	238	175	147	142	205
Acquisitions/ divestments	–114	–13	12	–2	–41
Free cash flow	124	162	159	140	164
Dividend distribution (for the previous year)	135	131	126	123	113

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 operating 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), the management of the local operating business units, and the global functions 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 global 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 global 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. This is based on six strategic pillars:

- Global Strength
- Customer & Market Focus
- Technology Leader
- Operational Excellence
- People & Organization
- Sustainability

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 taking advantage of opportunities are coordinated between the Executive Board/GMC, the global cross-divisional functions, 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 global 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. Supplemented by big data approaches, this will give rise to new value creation possibilities in the field of services and in changed 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 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 global 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 comprehensibly 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 global 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:

Probability of occurrence

Probability 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

Extent of net loss	Probability of occurrence: Unlikely (≤ 10%)	Possible (> 10% and ≤ 25%)	Likely (> 25% and ≤ 50%)	Very likely (> 50%)
Significant (> €70 million)	Medium	Medium	High	High
Moderate (> €55 million and ≤ €70 million)	Low	Medium	Medium	High
Low (> €25 million and ≤ €55 million)	Low	Low	Medium	Medium
Insignificant (≤ €25 million)	Low	Low	Low	Low

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 global 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: €57 million (45), likelihood of occurrence: 33 % (34)) and is therefore not significant. Nevertheless, risks that need to be monitored regularly 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, and 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.

Covid-19 pandemic

In its response to the Covid-19 pandemic, the FUCHS Group's focus was on the safety and well-being of its employees and their families. The risks associated with the pandemic in relation to the continuation of business operations were assessed, monitored, and controlled.

When the pandemic broke out, the Group had sufficient financial resources and agility to put emergency plans and the necessary rapid adjustments into action. We thereby ensured the safety and health of our employees and maintained our operations. With its strong financial resources and its disciplined approach, the FUCHS Group is able to withstand economic downturns and unexpected burdens such as the Covid-19 pandemic.

Nonetheless, the pandemic entails a potentially elevated risk of business interruptions, as governments may impose or extend lockdowns and strict measures to combat the pandemic, which may result in declining economic activity in a region or market segment. This was taken into account in the aggregated risks.

Although we at the FUCHS Group are adhering to strict pandemic plans with more stringent hygiene measures and corresponding rules, the Covid-19 pandemic still represents a potential health risk for our employees, and an infection or quarantine could result in disruptions in certain departments or at certain sites.

Despite the uncertainty regarding the future development of the global economy, the fundamental data of our business model remain stable.

Company-specific risks

The table below shows the current assessment of the identified, company-specific risks under constant monitoring. → ◎ 58 Overview of risk aggregates

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

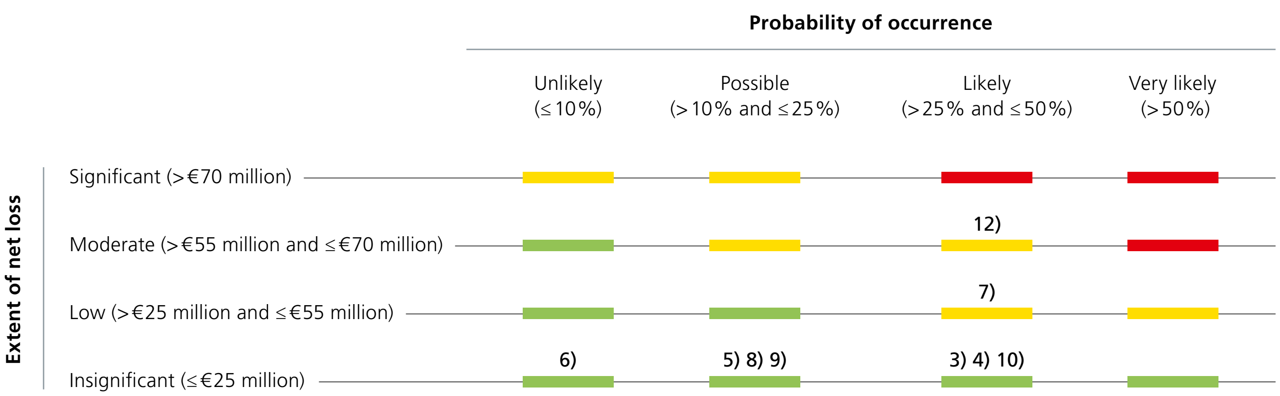
The opportunities of our major capacity for innovation and our high degree of specialization also lead to risks of a complex portfolio and restricted predictability of research and development projects. To manage these risks, most products are developed in close collaboration with our customers. We also conduct joint research with universities and 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 doing so, this could result in risks to the company in terms of personnel availability, even during the current pandemic. 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, among other things, implemented a manager development program and offer interested employees extensive opportunities for structured continuing professional development. This also includes teaching specialist and behavioral skills that will be required in the future in order to deal with the changing business and work environment. 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.

Overview of risk aggregates



No.	Risk aggregate	Risk classification	Change compared to 2019
	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)	Medium	▲
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**	▶

Operational risks

4) Sector, competition and customer-related risks

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.

FUCHS is active in many sectors with a broad-based product portfolio. However, if trade conflicts flare up between sovereign nations, this could have a negative impact on some market segments and represent a risk to demand for segment-specific products.

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. Many raw materials have a petrochemical origin and are directly dependent on crude oil. The raw materials used by FUCHS go through a long chain of value creation stages following crude oil. Changes in the crude oil price therefore have only limited effects on the procurement prices for raw materials. The raw material prices change indirectly and not always to the same extent.

As a result of the Covid-19 pandemic, there was unbalanced and significantly reduced demand for fuel. Refineries can control their product split only within certain limits, so the reduction in fuel output due to the very low demand for fuel also impacts petrochemical base materials. In the event of rising customer demand, this may lead to a shortage of base oils. These 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. This is also included in the aggregated risks.

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 resulting from 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, for example through ransomware, virus or phishing attacks, the theft of internal data and the various forms of so-called CEO fraud are particularly considered as risks. We try to counter these risks by consistently protecting our systems and IT infrastructure using state-of-the-art technology. These measures are supplemented by proactive penetration tests to identify and eliminate any weak points. With security services from renowned providers, we create transparency with regard to malicious attacks and trigger measures to counter these attacks. In addition, employees are kept up-to-date with current practices, developments and technologies through training events, guidelines, and instructions, 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 global 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 core 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, amendments to chemicals regulations 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 line with the "no data, no market" principle, all substances that are put on the market in quantities of more than one ton per year in the EU have had to be REACH registered since May 31, 2018. During the evaluation process, the European Chemicals Agency (ECHA) may request further studies. The REACH regulations are supplemented by the Dossier Improvement Program, which has been underway since the beginning of 2020. Its goal is to revise and supplement existing chemicals dossiers. There is a risk that these studies may identify further major risks that affect the marketability of our products. We counter these risks by communicating regularly with our suppliers or developing alternative solutions in close collaboration with them.

In addition to the chemicals regulation, new regulatory challenges will result from the “Green Deal” adopted by the EU, which has set itself the goal of directly devising and implementing measures to make the European economy climate-neutral and sustainable by 2050. The main elements are mandatory evidence of the carbon footprint of imported goods, CO_2 taxation (including for imports), promoting the hydrogen economy, promoting the circular economy, and a generally emission-free economy in order to avoid any immission. Based on the Green Deal, the “European Chemicals Strategy for Sustainability” has been developed with the aim of removing substances that have a potential negative effect on living organisms or the environment from circulation. We counter these risks by means of close contact with industry associations and the EU.

In addition to the European chemicals and sustainability regulations, other chemicals regulations around the world are also being established or updated at the national and international level. Political developments can have a significant impact on our business. 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 a reassessment of the hazardous properties of materials and formulations. We are supporting the introduction of GHS worldwide by creating appropriate organizational structures. The classification and labeling requirements could, however, mean that FUCHS products are subject to restrictions or bans and 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 current economic and political situation in the Near and Middle East, and the uncertain medium and long-term effects of Brexit on national economies such as the UK may 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 under IFRS 13. 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 global 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 2021, the International Monetary Fund (IMF) raised its forecast for growth in the global economy in the current year by 0.3 percentage point to 5.5 %. Starting from the low baseline of 2020, the expectations for 2021 are below the pre-crisis level in many countries, however. In addition to the positive impact of vaccination campaigns, the IMF also anticipates further stimulus measures in some major industrialized nations. But at the same time, it is not possible to foresee how the world will cope with a second and third wave of the pandemic and with the increasing occurrence of virus mutations. According to the IMF, the slump in the global economy last year with an estimated decline of 3.5 % was the worst recession since the global economic crisis around 90 years ago, although the decrease was not as high as had been feared. As the global economy recovers, we also anticipate slight growth in the global lubricant market in 2021.

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 2020 and forecasts for 2021 are described starting on page 35 et seq.

→ 35 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 2021. Overall, it expects to achieve the pre-crisis level, i.e. to generate sales revenues of 2019 (just under €2.6 billion). With regard to earnings, the Executive Board expects to maintain the level of 2020. Continued consistent cost management and the limitation of new hires to a minimum will contribute to this. At the same time, however, we must take account of inflation-driven cost increases and will continue to invest in our future, i.e. production plants, research capacity, and IT infrastructure, albeit to a reduced extent. In addition, we do not expect to draw on any further government support to cushion the impact of the Covid-19 pandemic in 2021, and anticipate rising raw material costs in a highly volatile environment.

Forecast performance indicator*

	Actual 2020	Forecast 2021
Sales revenues	**€2,378 million**	2019 level
EBIT	**€313 million**	2020 level
FVA	**€165 million**	around €160 million
Free cash flow before acquisitions	**€238 million**	around €160 million

*The effects of the further development of the Covid-19 pandemic on the global economy and thus also on FUCHS' supply chains, production, and customer demand cannot be estimated reliably.

The anticipated increase in sales revenues is based on organic volume growth in all regions and, to a lesser extent, external growth. The latter is mainly due to the acquisition of PolySi, an US company specializing in the production of silicone greases, which was completed in November 2020. It remains to be seen whether further acquisitions can be made over the course of 2021.

Planning is based on exchange rates from end of September 2020. When translating the planned sales revenues into the Group currency, the euro, on basis of the January 2021 exchange rates, there is no significant translation effect. However, in the absence of reliable currency forecasts it is not possible to predict the future development.

The achievement of our sales and earnings forecast presupposes that the macroeconomic assumptions made for 2021 are correct. Should the global economy and global lubricant consumption grow more weakly than forecasted, lower sales revenues and EBIT should also be expected.

Capital employed will increase slightly. This increase will chiefly result from the rise in NOWC associated with the anticipated growth in sales revenues to the pre-crisis level. Investments will be reduced to the level of depreciation and amortization.

In 2021, investments in property, plant and equipment of around €80 million are planned. These will particularly be made in Germany, the US, China, and South Africa. In Germany, the new holding company building is to be completed. We are also working on further modernizing and expanding production facilities at the sites in Mannheim, Kaiserslautern, and Kiel, creating storage facilities and improving logistics, and expanding our IT and research and development infrastructure. In South Africa, we will expand storage capacity and optimize material flows with a new warehouse. In the US, we will also invest in expanding capacity at the newly acquired Nye site, as well as continuing or initiating various smaller projects relating to the supply chain at other sites. In China, the focus is on further automation of the grease plant in Yingkou, the purchase of additional expansion space in Wujiang, and projects for local manufacturing of products for customers in China.

With a slight rise in capital costs and stable EBIT, we anticipate FVA on a scale of around €160 million. We assume that the weighted average cost of capital (WACC) will remain unchanged at 9.5%. We anticipate a significant decrease in free cash flow before acquisitions. As a result of the reduction of existing tax liabilities and a slight increase in NOWC, we anticipate free cash flow before acquisitions of around €160 million (238).

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, with sound results of operations, net assets and financial position.

Forecast comparison

Earnings after tax at FUCHS PETROLUB SE amounted to €166 million in the past financial year and were therefore €14 million lower than in the previous year. The forecast expressed at the beginning of the year of earnings after tax of at least €140 million was nonetheless exceeded. This was chiefly due to the fact that earnings contributions from the subsidiaries were €19 million higher than expected in the forecast.

→ ⌗ Results of operations of FUCHS PETROLUB SE

Results of operations

Results of operations of FUCHS PETROLUB SE

in € million	2020	2019
Sales revenues	57	60
Investment income	196	217
Other operating income	13	8
Staff costs	–25	–23
Depreciation and amortization	–1	–1
Other operating expenses	–35	–34
Earnings before interest and tax (EBIT)	**205**	**227**
Financial result	1	1
Earnings before tax	**206**	**228**
Income taxes	–40	–48
Earnings after tax	**166**	**180**
Retained earnings brought forward from the previous year	0	0
Transfer to other retained earnings	–29	–46
Unappropriated profits	**137**	**134**

The SE's sales revenues result from licenses of €45 million (49) and cost allocations of €12 million (11).

The income statement is dominated by investment income. Profit distributions from foreign stock corporations were €87 million (109). Income of €109 million (119) was received from profit and loss transfer agreements in place with German subsidiaries.

Other operating expenses, which resulted primarily from the transfer of expenses and fees charged by the holding company, rose to €13 million (8) in the past financial year.

Staff costs increased from €23 million to €25 million, particularly as a result of additional employees.

Other operating expenses rose slightly to €35 million (34). These were particularly attributable to costs passed on by subsidiaries and to SAP/IT costs. The SAP/IT costs were passed on to the subsidiaries on a pro rata basis. In addition, especially legal and consulting costs and other personnel expenses were incurred.

Earnings before interest and tax (EBIT) decreased by €22 million to €205 million compared to the previous year. After including the financial result of €1 million (1), earnings after tax came to €206 million (228). After taxes of €40 million (48) for the tax consolidation group, earnings after tax amounted to €166 million (180).

Unappropriated profit as of December 31, 2020, amounts to €137 million (134) after an allocation of €29 million (46) to retained earnings.

Net assets and financial position

→ ▦ Net assets and financial position of FUCHS PETROLUB SE

Assets dominated by financial assets and receivables from affiliated companies

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 totaling €1,128 million (1,093) therefore account for 94 % (96) of assets.

Net assets and financial position FUCHS PETROLUB SE

	December 31, 2020		December 31, 2019		
	in € million	in %	in € million	in %	Change in € million
Intangible assets and property, plant and equipment	25	2	13	1	12
Financial assets	521	44	513	45	8
Receivables due from affiliated companies	607	51	580	51	27
Cash and cash equivalents and current securities	38	3	32	3	6
Other assets	5	0	6	0	–1
Total assets	**1,196**	**100**	**1,144**	**100**	**52**
Total equity	**1,152**	**96**	**1,120**	**98**	**32**
Provisions	31	3	21	2	10
Liabilities	13	1	3	0	10
Total equity and liabilities	**1,196**	**100**	**1,144**	**100**	**52**

As a result of the acquisition of 50 % shares in long-standing commercial partners in Africa, financial assets increased by €8 million year-on-year to €521 million (513).

There was also an increase in receivables due from affiliated companies, which rose from €580 million to €607 million. A large portion of this €607 million was attributable to receivables from domestic companies. The Group's financing company FUCHS FINANZSERVICE GMBH alone utilized €570 million (545) or 94 % (94) of the total amount as of the end of the reporting period.

Property, plant and equipment increased chiefly due to the construction of a new holding company building. Beside this, cash and cash equivalents and current securities of €38 million (32) were held.

Equity ratio remains at high level of 96 %

Through further accumulation, FUCHS PETROLUB SE's equity rose by another €32 million to €1,152 million (1,120). The equity ratio remained at a high level, although it decreased slightly from 98 % to 96 % due to the increase in total assets.

Provisions accounted for 3 % of total assets. They amounted to €31 million (21) and related primarily to taxes and variable compensation, as in the previous year.

The increase in liabilities to €13 million mainly resulted from the utilization of a loan to support the energy-efficient construction of our new office building.

FUCHS PETROLUB SE's off-balance-sheet contingent liabilities remained at the previous year's level at €83 million (82). They result entirely from guarantees in favor of affiliates or in favor of companies in which an interest is held.

Other financial obligations mainly result from contractual investment obligations for the new office building. As of December 31, 2020, they amounted to €6 million.

Forecast report (single financial statement)

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.

The planning anticipates investment income in 2021 at the same level as in 2020. Accordingly, we also expect earnings after tax to be at the same level as in 2020.

Unappropriated profit and dividend proposal

Based on the result according to the German Commercial Code, in which unappropriated profit of €137 million (134) 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 €0.98 (0.96) per ordinary share entitled to dividend and
- to €0.99 (0.97) per preference share entitled to dividend.

The total dividend payment will then amount to €137 million (134).

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 for 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) in the future.

FUCHS PETROLUB SE assumes corporate and social responsibility. This responsibility comprises 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.
→ 26 Business model

The FUCHS mission statement with the canon of values: trust, creating value, respect, reliability and integrity forms 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.
→ 52 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

FUCHS has continuously expanded its sustainability activities over the past ten years. Since the signing of the "Code of Responsible Conduct for Business" in 2010, a systematic focus has been placed on conserving resources, reducing waste, and decreasing the local subsidiaries' energy consumption. Within the investment program, existing facilities and operations are continuously modernized and new plants and buildings are planned and constructed with a focus on energy efficiency.

In the previous financial year, 2019, FUCHS performed for the first time a calculation of its CO_2 footprint for all activities within our manufacturing companies ("gate-to-gate") for the first time, thus laying the foundations to be CO_2-neutral in 2020. This was done using the specifications of the Greenhouse Gas Protocol and the calculation will be certified by the external service provider Fokus Zukunft. FUCHS does not manufacture its own base materials, which is why its vertical integration is lower than that of other chemical companies and the ecological footprint of its activities is therefore also comparatively smaller. Nonetheless, the declared goal of FUCHS' activities is to reduce its CO_2 footprint steadily. In the continuous improvement process, existing facilities are modernized to make production more environmentally friendly and efficient. In new buildings, FUCHS ensures that state-of-the-art processes and production methods are used in order to reduce the resources consumed (energy, water) and the waste generated per ton produced resp. to keep them as low as possible. This is accompanied by individual measures at specific locations to increase the ratio of renewable energy sources used and thus lower CO_2 emissions. The strategy at some locations is rounded off by individual projects for in-house production of renewable energy, primarily from photovoltaics.

Emissions by manufacturing companies that could not be avoided or reduced further were compensated for 2020 by purchasing climate protection certificates. In selecting these, attention was paid to checking that the climate protection projects to be supported and thus the resulting certificates were particularly qualified, met the recognized GOLD or VCS standard, and had thus been certified by independent parties.

In accordance with the principle "Avoid – Reduce – Compensate," compensation by purchasing climate protection certificates is only the last step for achieving CO_2 neutrality. Over the coming years, FUCHS will take further measures to increase energy efficiency and gradually reduce investments in certificates. This will also be done by actively increasing the share of renewables in the energy supply at FUCHS' plants and locations and by expanding in-house production of electricity. The supply of electricity to all production locations in the European region was switched to 100 % renewable energy ("green power") for 2020 by purchasing certificates of origin from wind power. This procedure is also planned for the financial year 2021 and represents an important step toward switching over the greatest possible share of FUCHS' energy consumption to renewable sources. The switch likewise reduces the company's CO_2 footprint significantly.

When collecting data for the financial year 2020, FUCHS expanded the sustainability figures and the basis for calculating the CO_2 footprint (corporate carbon footprint, or CCF), which previously covered the production companies, to include sales and holding companies. It also applied the full extent of Scopes 1 and 2 as well as extensive key figures from Scope 3 not including raw material data ("gate-to-gate") in accordance with the Greenhouse Gas Protocol. This results in an even more transparent calculation of the corporate carbon footprint. From now on, FUCHS will use this basis to achieve CO_2 neutrality and monitor the entire company with all of its own locations ("gate-to-gate"). The basis for calculation also serves as a basis for developing the FUCHS Group's future sustainability strategy.

FUCHS produces lubricants and related specialties that are primarily used in our customers' operations to ensure and improve problem-free functioning of machinery and equipment by reducing wear and friction and protecting against corrosion. High-quality lubricants help extend the service life of machinery and increase its energy efficiency. FUCHS collaborates closely with many customers to develop customized products that are precisely tailored to the application so as to ensure optimal operation and minimize losses. Meanwhile, FUCHS also works closely with upstream suppliers to prepare individual lifecycle analyses over the entire value chain. This method is to be expanded in the following years in order to compensate for unavoidable emissions from the extraction and production process with savings in the use phase in line with uniform standards.

FUCHS' production locations are mostly based in purely industrial zones or business districts. In planning and operations, FUCHS is guided by the internal and external environmental and safety regulations. There is a particular focus on ensuring that as few substances as possible that could impact biodiversity are released into the environment.

One key contribution to sustainability management is the certification of the FUCHS management systems in accordance with the relevant ISO standards. As of the end of 2020

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

The year 2020 was dominated by the Covid-19 pandemic, which delayed the planned certifications by several months worldwide. Despite the planning uncertainty arising from the pandemic, FUCHS was able to maintain all certifications and is about to take another important step for the further development of certifications.

In 2020, the focus was mainly on analyzing and selecting a global service provider that will in future conduct certifications of FUCHS companies in accordance with the international recognized ISO standards resp. the IATF standard. The coordination of the global strategy for certification in accordance with the environmental and occupational safety standards ISO 14001 and ISO 45001 and the energy management standard ISO 50001 is ongoing, and will take place in close consultation with the global certification service provider in future.

Through the global certification company, FUCHS will guarantee a high-quality certification standard worldwide. FUCHS will also subsequently strive to move forward with certification of its production sites in accordance with the international standards.

Key Performance Indicator (KPI) for ecological indicators

The basis of KPI data collection was expanded in the financial year 2020 to include sales companies and holding companies, as well as production companies, in order to provide a comprehensive overview of the FUCHS Group's activities. The 2019 figures have been revised accordingly.

Ecological indicators

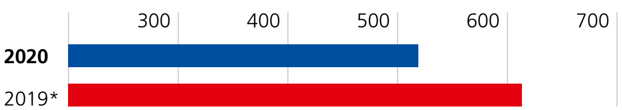
Energy and water consumption and waste generation per ton of lubricants produced decreased in 2020. Similarly, CO_2 emissions per ton produced were lower than in the previous year.

The plant construction work that was carried out as part of the investment program and resulted in higher energy consumption last year due to test runs was largely completed, which had a positive impact on energy consumption per ton. In addition, the new buildings and the modernization of the facilities will make a positive contribution to reducing energy and water consumption and waste generation from now on. The significant decrease in waste volumes is also attributable to a stronger focus on reusing waste as materials (recycling) and a lower amount of waste being taken to a final (in some cases thermal) use. Finally, the increase in working from home that was necessitated by the Covid-19 pandemic in 2020 also contributed to the lower level of energy and water consumption and waste generation compared to the previous year.

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

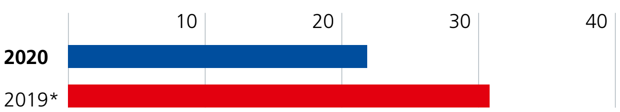
Basis: Energy consumption of FUCHS production, sales, and holding companies.

Development of water consumption
(in liter per ton produced)



Basis: Water consumption of FUCHS production, sales, and holding companies.

Waste generation
(in kilograms per ton produced)



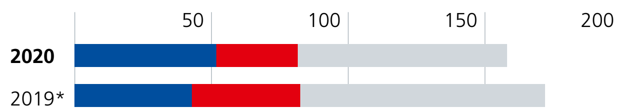
Basis: Waste generated by FUCHS production, sales, and holding companies.

The data basis for the corporate carbon footprint (CCF) was also expanded in 2020, experiencing two major changes. Firstly, additional sources of emissions, such as fuel consumption by the vehicle fleet, were included in the calculation of Scope 1 emissions. In addition, Scope 3 emissions (other indirect emissions along the value chain that are directly related to business operations: water, waste water, waste, and disposal) were expanded to include business travel and commuter traffic.

However, the scope of the CCF is still defined as "gate-to-gate". This means that the calculation of emissions relates to the business operations of FUCHS at its sites and to the emissions caused by its employees. Emissions resulting from the production and provision of raw materials by suppliers ("cradle-to-gate") are not included.

An examination of the specific CCF shows that Scope 3 emissions account for a significant share of total emissions and were roughly equivalent to the sum of Scope 1 and Scope 2 emissions in both 2019 and 2020. Overall, the specific emissions decreased in 2020 as compared to the previous year. The first measures to switch to renewable energy sources are continuing to make an impact. For example, some plants in Europe switched to purchasing "green" CO_2-neutral electricity, and the remaining European sites were also switched over to a "green" electricity supply for 2020 in financial reporting terms by purchasing certificates of origin from wind power.

Specific CO_2 emissions
(in kilograms CO_{2e} per ton produced)



- Scope 1: Direct emissions through own energy generation.
- Scope 2: Indirect emissions through purchased energy.
- Scope 3: Other indirect emissions along the value chain.

Basis: Specific CO_2 emissions of FUCHS production, sales, and holding companies.

* 2019 adjusted: Data basis expanded to include sales and holding companies; previously only production companies.

The absolute CO_2 footprint of the company is shown below:

CO_2 footprint
(in kilotons of CO_{2e})

Basis: CO_2 footprint (CCF) of FUCHS production, sales, and holding companies.

With the changes in the scope described above, this results in a CCF of the FUCHS companies of around 156 kilotons of CO_2 equivalents (CO_{2e}) for 2019. For the reporting year 2020, the impact of the Covid-19 pandemic on business operations measured in terms of emissions and resource consumption is clear to see, with the CCF of the FUCHS companies falling by around 18 % to 128 kilotons of CO_{2e}. The CCF for 2020 is also considerably lower because the energy supply of the European sites was switched over to “green” electricity by purchasing certificates of origin from wind power. This measure alone results in a reduction of the overall CCF by around 8 %.

The following measures describe our current strategy, which is to be advanced further in the future:

- implementing systematic energy management at all plants,
- cutting emissions by reducing energy consumption, water consumption, and waste generation,
- systematically converting additional sites to a green energy supply,
- further expanding in-house production from renewable energy sources.

By means of the above measures, the retroactive compensation of emissions by purchasing climate protection certificates is gradually to be reduced. All of this will be incorporated in a sustainability strategy that is to be defined in the coming years.

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 so that they keep their eyes open to avoid risks in everyday life and in familiar situations, both in employees’ own interest and in the interest of their colleagues. Suggestions for improvement in terms of health and safety from employees are encouraged.

At the end of 2020, 41 % of the production locations were certified according to the BS OHSAS 18001/ISO 45001 Occupational Health and Safety Management System. The end of the transition period for the migration of certified organizations from BS OHSAS 18001 has been extended until March 31, 2021. Thereafter, only certification of health and safety at work in accordance with the ISO standard 45001 “Occupational Health and Safety Management Systems” published in March 2018 will still be possible. The majority of the FUCHS companies have already completed the transition to the new standard, and the remaining audits are already planned so as to ensure a timely transition. FUCHS plans to increase the number of certified locations continuously.

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 working 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. We are systematically pursuing the goal of striking a balance between the business interests of

Social indicators

	2020	2019	2018
Average age of employees in years	44	43	43
Age structure of employees in %			
< 30 years	14	15	16
31 – 40 years	28	29	28
41 – 50 years	28	27	28
> 50 years	30	29	28
Average length of service of employees in years	10	10	10
Employee fluctuation [1] in %	3.2	4.2	4.7
Work-related accidents [2] per 1,000 employees	9	13	15
Days lost due to sickness per employee	9	8	8
Proportion of women in management positions in %	24	22	22
Average further training and education per employee in hours	13	13	14

[1] Share of employees leaving the company voluntarily.
[2] Number of accidents with more than three absence days.

FUCHS and the private and family needs of our employees. Flexible working time models are an important part of this. In addition to typical flextime models, part-time options are also available, 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, accelerated by the Covid-19 pandemic, also allows people more scope 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 childcare and the bridging of holiday periods, through subsidized holiday programs for example, are therefore common within the company. More and more 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.

Occupational health management now includes training in areas such as load handling, skin protection, and ergonomics at computer workstations. Furthermore, at the site in Mannheim, for example regular programs for the early detection of colon cancer, addiction prevention and healthy eating are offered. In addition, we encourage initiatives from employees to play a variety of sports together and also set up collaborations with fitness studios. These will be stepped up again and used actively once the pandemic situation has improved. Some offers, such as yoga, have also been moved online to some extent.

To contain the Covid-19 pandemic, crisis teams have been set up and collaborate closely with the occupational health service/company doctor and the management of the respective site. Training on how to act during the pandemic, the distribution of necessary protective equipment, and the change in work models during critical phases of the pandemic, e.g. by reducing presence in the rolling system and rearranging shift models, made a significant contribution to keeping the number of infections at FUCHS very low.

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. → ⋕ 73 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 more specifically and in a more forward-looking manner in future, further progress on the establishment of a structured, global personnel development program was made in 2020. 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. In addition, a new onboarding project was launched. New employees will thus be offered their own training area where they can gain knowledge about FUCHS and the corporate culture in various different learning phases and topic areas. As such, employees – especially new ones – can acquire global knowledge about our business and cooperation in the spirit of ACT GLOBAL, regardless of the site where they are based.

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. One particularly noteworthy feature is the e-learning masterclass, which has taught around 180 employees worldwide how to use an online training tool. Employees who have completed this training can therefore create and provide e-learning programs on any topic. Knowledge is thus digitalized and made available to a larger group of employees.

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 experts, for instance, with a sound background knowledge of our products and their applications. Here, too, progress was made on digitalizing training content in 2020. Using a specially developed concept, a breakthrough in the virtual availability of training content can thus be expected in 2021. 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 2020, a new executive training concept for the future was drawn up and agreed. This 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 and teams, 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 knowhow.

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 26 % of the total workforce. The share of women in management positions rose to 24 % (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, reported, and tracked worldwide in future. 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 Modern Slavery Act Statement submitted each year 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 and that is based on the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to compliance management systems (IDW PS 980). Important components of the CMS are the establishment 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 consulting, training courses, information events, an anonymous information platform for employees and business partners and other measures and processes derived from the compliance guidelines.

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, amongst the primary goals of the CMS are the prevention, detection, and sanctioning of violations of the law and misconduct, 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). 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 the CMS 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 and receive training on the relevant compliance issues. To manage the functionality and adequacy of the CMS, FUCHS has been using the Enlightenment Performance Indicator (EPI) since the financial year 2020 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 online 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 audits.

Further information on the CMS can be found in the Declaration of Corporate Governance
→ 78 Declaration of Corporate Governance

Supply chain

To manufacture its products, FUCHS uses a wide range of base fluids and additives from externally purchased renewable and fossil sources. The FUCHS process in the value chain thus begins with the purchase of these, in some cases complex, raw materials. Only raw materials that comply with all applicable EHS regulations (environment, health and safety) are used. In addition, FUCHS is constantly working in interdisciplinary teams of experts to utilize alternative raw material solutions from renewable sources, thereby steadily reducing its use of fossil fuels.

Raw materials are key to ensure the consistent quality of FUCHS products and so the maintaining and monitoring our raw materials and supplier portfolios play a vital role. Accordingly, supplier management and raw materials procurement are organized in line with global Group specifications and thus support the FUCHS Group in achieving its targets. While the most strategically important suppliers are managed centrally by defined lead buyers, raw materials that are required only in small quantities or by individual companies are purchased by the procurement units of the respective local companies.

As part of our active supplier management, we evaluate all strategic raw materials suppliers each year. Suppliers are asked to self assess issues such as quality, pricing and sustainability. In addition, FUCHS also carries out a systematic and transparent evaluation. If this comparison finds room for improvement or expectations that have not been fulfilled, clear action plans are agreed and a strict follow-up process is established to ensure that these have been implemented. FUCHS has also clearly communicated its requirements regarding compliance, zero tolerance of discrimination and child labor and the observance of recognized labor standards to its suppliers and included these in supplier terms and in the assessment of strategic suppliers. By doing this, FUCHS ensures that its supply chain meets social sustainability and ethical conduct criteria. FUCHS is conscious of the responsibility and role model function it has as a leading independent lubricants company, and promotes efforts to develop industry sustainability standards in the lubricants sector via various working groups and committees in national and European associations.

As FUCHS does not produce its own raw materials, most greenhouse gas emissions associated with the products are not produced on the company's directly controllable premises (“gate-to-gate”), but instead in the upstream supply chain of the raw materials suppliers. In light of this, FUCHS has not only communicated its expectations with regard to the recording and communication of greenhouse gas emissions to its strategic suppliers, it has also weighted these more heavily in its supplier assessment for 2020. Together with key suppliers, FUCHS is thus continuously promoting improvements to environmental sustainability. Working in collaboration with suppliers who are also committed to these same goals, these efforts aim to continually increase the share of environmentally friendly raw materials in FUCHS's production processes.

In the last financial year, FUCHS ran pilot projects with selected suppliers to quantitatively assess the environmental sustainability of selected products in comparison to standard products over their entire life cycle. This clearly showed specific advantages in the application phase. Work in the coming years will aim to present these analyses in quantitative, as opposed to qualitative, terms for the entire portfolio.

2.12 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.

Declaration of Corporate Governance

The Executive Board and the Supervisory Board submit the declaration of corporate governance for FUCHS PETROLUB SE and also for the Group in accordance with Sections 315d and 289f HGB. The statements apply both to FUCHS PETROLUB SE and to the Group, unless stated otherwise below.

A. Declaration of the Executive Board 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 11, 2020, the Executive Board 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 16, 2019, 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. FUCHS PETROLUB SE intends to comply in the future with the recommendations set forth in the German Corporate Governance Code dated December 16, 2019, i.e. its version published in the official section of the Federal Gazette (Bundesanzeiger) on March 20, 2020 by the German Ministry of Justice, with the following exception:

Recommendation G.11 sentence 2 is not followed.

Variable compensation for the members of the Executive Board is based on a specific calculation formula that is geared toward the company's long-term development. In connection with the Executive Board members' obligation to invest more than half of their long-term incentive in preference shares in the company and to hold these for at least four years, the variable compensation for members of the Executive Board is directly linked to the company's economic development. In addition, there are statutory options for retaining or reclaiming compensation components.

Mannheim, December 11, 2020

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/decl_of_compl

B. Compensation report

The main features of the compensation system and the individual compensation of members of the Executive Board and the members of the Supervisory Board are described in the compensation report.
→ 88 Compensation report

C. Corporate governance practices

FUCHS PETROLUB SE and the Group apply the following key corporate governance practices:

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 financial harm, weakening the company's own market position, and damaging its image. 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 and the compliance guidelines, particularly those that relate to complying with rules on competition, preventing money laundering, corruption and venality, and dealing with insider information, 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 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 individuals with authorized access to insider information are listed in the mandatory insider list in accordance with Art. 18 of the EU's Market Abuse Regulation (MAR) and informed of their legal obligations and possible sanctions.

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 recommendation F.5 of the Code, the company makes non-current declarations of corporate governance and declarations of compliance with the recommendations of the Code available on its website for at least five years.
→ www.fuchs.com/decl_of_compl

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.

→ 68 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.

→ 52 Opportunity and risk report

D. Disclosures on the working practices of the Executive Board and the Supervisory Board and the composition and working practices of their committees

1. Management and control structure

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, the German SE Implementation Act, the SE Employee Participation Act, the SE Employee Participation Agreement concluded with the employees, and 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.

2. Corporate management by the Executive Board Working practices of 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 that the risks associated with business operations are handled responsibly by way of a suitable and effective opportunity and risk management system. By means of a compliance management system geared toward the company's risk situation, the Executive Board ensures compliance with legal provisions, official regulations, and internal policies, and works toward their observance within the company (compliance).

The Executive Board pays attention to diversity and adequate representation of women when filling management positions in the company.

Resolutions of the Executive Board are generally adopted at its regular meetings, which are to be held at least once a month. The Executive Board is quorate if all members are invited and at least two members take part in the vote on the resolution. Resolutions are generally adopted by a majority of the votes cast. In making their decisions, the Executive Board members must not pursue any personal interests or business opportunities available to the company for their own personal gain. In accordance with recommendation E.2 of the Code, the rules of the procedure of the Executive Board regulate its obligation to disclose possible conflicts of interest to the Chairman of the Supervisory Board and to the Chairman of the Executive Board. There were no conflicts of interest in the reporting year.

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 addition, the Supervisory Board has stipulated the need for the approval of the Supervisory Board for certain fundamentally important business processes, such as setting the investment budget or larger acquisitions.

Composition of the Executive Board

The Executive Board of FUCHS PETROLUB SE currently consists of five members. The Executive Board is made up of Mr. Stefan Fuchs (Chairman), Dr. Lutz Lindemann, Dr. Timo Reister, Dr. Ralph Rheinboldt, and Ms. Dagmar Steinert. Further details and the allocation of duties within the Executive Board (organization of responsibilities, regions and divisions) are shown in detail in the section on organization. → 11 Organization

The Supervisory Board is responsible for appointing the Executive Board in accordance with Article 39 of the SE Regulation. 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. In accordance with recommendation B.3 of the Code, initial appointments of members of the Executive Board are for no 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.

Taking account of the terms of the existing Executive Board mandates and the necessary skills for the respective positions to be (re-)filled, potential candidates within the Group are identified and presented to the Supervisory Board at an early stage. Where necessary, potential external candidates are identified via suitable service providers and taken into account in succession planning.

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.

Diversity

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 and/or professional activity,
- at least one female member of the Executive Board (target until December 12, 2021: one female member),
- balanced age structure.

In accordance with recommendation B.5 of the Code, the Supervisory Board has set an age limit of 65 years for Executive Board members.

The diversity concept for the Executive Board is implemented by ensuring that the Supervisory Board and the Personnel Committee adequately take account of the aspects specified in the diversity concept when seeking and selecting suitable candidates for an Executive Board position.

3. Monitoring and advising of the corporate management by the Supervisory Board

Working practices of the Supervisory Board

The Supervisory Board appoints and dismisses the members of the Executive Board and both advises and monitors the Executive Board in its management of the company. The Executive Board informs the Supervisory Board regularly, promptly, and comprehensively about all relevant issues for the company, particularly the strategy, planning, the business development, the risk situation, risk management, and compliance. The Chairman of the Supervisory Board is immediately informed by the Chairman of the Executive Board of any major events that are significant for the assessment of the company's situation and development and for the management of the company. In addition, the Chairman of the Supervisory Board maintains regular contact with the Chairman of the Executive Board and advises him on all important issues for the company. 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 is quorate if a duly convened meeting is attended by at least four members, including the Chairman or the Deputy Chairman. Attendance also includes attendance via teleconference or video conference, although this should not be the norm. 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. Minutes of the Supervisory Board's resolutions and meetings are prepared and then approved by resolution at the next meeting. Resolutions may also be adopted in writing, by telephone, or using other common means of communication such as e-mail, provided the majority of the Supervisory Board members take part in the vote. In making their decisions, the Supervisory Board members must not pursue any personal interests or business opportunities available to the company for their own personal gain. In accordance with recommendation E.1 of the Code, the rules of the procedure of the Supervisory Board regulate its obligation to disclose possible conflicts of interest to the Chairman of the Supervisory Board. There were no conflicts of interest in the reporting year.

If necessary, separate preliminary meetings of the shareholder representatives and the employee representatives take place. In accordance with recommendation D.7, the Supervisory Board also regularly meets without the Executive Board.

At its meeting on December 11, 2020, the Supervisory Board adopted a new version of the rules of procedure for the Board. The current version of the rules of procedure for the Supervisory Board is available on the website:
→ www.fuchs.com/sup_board

The Supervisory Board itself regularly assesses how effectively the Supervisory Board as a whole and its committees are performing their tasks. To this end, the Chairman of the Supervisory Board talks to all regular Supervisory Board members, and the results of the survey are then discussed at a meeting of the Supervisory Board. If necessary, measures for improvement are defined. The last self-assessment was conducted at the Supervisory Board meeting on December 11, 2020. Based on the positive results, no changes to the previous working practices were required in the Supervisory Board's view. The next routine self-assessment is scheduled for 2021.

Composition of the Supervisory Board

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 as employee representatives. The current members of the Supervisory Board and their attendance at meetings are listed hereafter:

Overview of Supervisory Board members' attendance at each meeting in the financial year 2020

Responsibilities	Members	Attendance/meetings
Supervisory Board	Dr. Kurt Bock (Chairman)	7/7
	Dr. Susanne Fuchs (Deputy Chairwoman from May 5, 2020)	7/7
	Dr. Erhard Schipporeit, until May 5, 2020 (Deputy Chairman, financial expert)	2/2
	Jens Lehfeldt	7/7
	Dr. Christoph Loos, from May 5, 2020	5/5
	Ingeborg Neumann (financial Expert)	7/7
	Lars-Eric Reinert, until May 5, 2020	2/2
	Cornelia Stahlschmidt, from May 5, 2020	5/5

Mr. Jens Lehfeldt, Mr. Lars-Eric Reinert (until May 5, 2020) and Ms. Cornelia Stahlschmidt (from May 5, 2020) are the employee representatives on the Supervisory Board.

Further details, such as the members' CVs, their current position or main occupation, membership of statutory supervisory boards and comparable supervisory bodies, and the date of their first appointment are available online at
→ www.fuchs.com/sup_board

Details on the Board's work in the reporting year are presented in the report of the Supervisory Board.
→ 13 Report of the Supervisory Board

Skills profile

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. On the basis of their expertise and practical experience, integrity, motivation, independence and personality, the members of the Supervisory Board 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. In accordance with recommendation C.1 of the Code, the Supervisory Board has defined specific targets for its composition and developed a skills profile for the Board as a whole. It regularly focuses on the issue of long-term succession planning for the shareholder representatives, most recently at its meeting on December 16, 2019.

In accordance with the criteria decided by the Supervisory Board, the Supervisory Board as a whole must match the following profile:

- knowledge, skills, and specialist experience in the management of an international company,
- special economic expertise in cross-industry added value and value chains,
- special knowledge and experience in the application of accounting principles, internal control procedures, and risk management,
- inclusion of technical expertise, particularly in the field of (specialty) chemicals and sectors that use chemical products.

The Supervisory Board as a whole meets all criteria of the skills profile.

In accordance with recommendation D.12 of the Code, FUCHS PETROLUB SE provides the Supervisory Board members with adequate support for their induction and for training measures.

Diversity

With the objective of maximum benefit for the company, the Supervisory Board strives for sufficient diversity among the shareholder representatives. Diversity is not just limited to gender, but is also understood to refer to character, internationality, and professional background. The Supervisory Board has set itself the following targets for the Board as a whole:

- 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 Supervisory Board should not be over 75 years old at the time they are elected. This age limit was not exceeded by any of the Supervisory Board members.

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 through the autonomous decision of the employees in accordance with the provisions of laws on SE employee participation and the SE employee participation agreement concluded with the employees.

The diversity concept for the Supervisory Board is implemented by ensuring that the Nomination Committee adequately takes account of the aspects specified in the diversity concept when seeking and selecting suitable shareholder representatives. All the criteria of the diversity concept have been met at FUCHS.

Independence

In the Supervisory Board's opinion, three of the four shareholder representatives listed in the section "Composition of the Supervisory Board," and thus an appropriate proportion of the shareholder representatives, are independent within the meaning of recommendation C.6 of the Code. The current Supervisory Board members Dr. Kurt Bock, Dr. Christoph Loos, and Ms. Ingeborg Neumann, as well as Dr. Erhard Schipporeit up until his departure from the Supervisory Board, are shareholder representatives on the Supervisory Board who are considered independent from the company and its Executive Board and from the controlling shareholder within the meaning of the recommendations of the Code.

The term in office of the Supervisory Board is five years. The current term in office began when the Supervisory Board members were elected at the Annual General Meeting on May 5, 2020. No member of the Supervisory Board has been on the Board for more than twelve years.

Committees of the Supervisory Board

In accordance with recommendations D.2, D.3, and D.5 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 respective chairs of the committees regularly report to the Supervisory Board on the work of the committees.

In accordance with recommendation D.3 of the Code, the key tasks of the **Audit Committee** include auditing the accounts, 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 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 members of the Audit Committee and their attendance are listed below. Both Ms. Ingeborg Neumann and Dr. Erhard Schipporeit meet the requirements of recommendation D.4 of the Code in their role as Chair of the Audit Committee on the basis of their knowledge and experience:

Overview of Audit Committee members' attendance at each meeting in the financial year 2020

Responsibilities	Members	Attendance/meetings
Audit Committee	Dr. Erhard Schipporeit, until May 5, 2020 (Deputy Chairman, financial expert)	2/2
	Ingeborg Neumann (Chairwoman from May 5, 2020, financial expert)	4/4
	Dr. Christoph Loos, from May 5, 2020	2/2
	Dr. Susanne Fuchs	4/4

The **Personnel Committee** focuses on personnel matters in the Executive Board. The members of the Personnel Committee and their attendance at meetings are listed below:

Overview of Personnel Committee members' attendance at each meeting in the financial year 2020

Responsibilities	Members	Attendance/meetings
Personnel Committee	Dr. Kurt Bock (Chairman)	2/2
	Dr. Susanne Fuchs	2/2
	Ingeborg Neumann, from May 5, 2020	2/2
	Dr. Erhard Schipporeit, until May 5, 2020	2/2

The **Nomination Committee** advises on and nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members. The Nomination Committee did not hold any meetings in the financial year 2020. In accordance with recommendation D.5 of the Code, the Nomination Committee is staffed entirely with shareholder representatives. The members are Dr. Kurt Bock (Chairman), Dr. Susanne Fuchs, Dr. Christoph Loos (since May 5, 2020), Ms. Ingeborg Neumann, and Dr. Erhard Schipporeit (until May 5, 2020).

E. Gender-specific targets

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. As of the end of 2020, the company exceeded its target for the percentage of women at the first management level at 17 %, but fell slightly short of the target for the percentage of women at the second management level at 26 % due to staff turnover.

F. Corporate reporting and audit

High transparency through comprehensive information

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. In accordance with recommendation F.1 of the Code, the shareholders are immediately provided online with all significant new facts that are communicated to financial analysts and similar addressees. 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.

The declarations of corporate governance for the past five years are available online at
→ www.fuchs.com/decl_of_cg

Share transactions by Executive Board members, Supervisory Board members, and other managers, including certain closely related parties (managers' transactions) that are required to be reported in accordance with Art. 19 of Regulation (EU) No. 596/2014 of April 16, 2014 on market abuse (Market Abuse Regulation) are also published on the website.
→ www.fuchs.com/direct_deal

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) and the German Stock Corporation Act (AktG). 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. The Supervisory Board approves the annual and consolidated financial statements after reviewing them itself. The annual financial statements are hereby adopted.

The Supervisory Board has agreed with the auditor 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 D.9 of the Code, the auditor shall also inform the Audit Committee immediately of 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 in accordance with recommendation D.10 of the Code and record it in the audit report 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. In accordance with recommendation D.11 of the Code, the Audit Committee regularly assesses the quality of the audit.

Information on the auditor

Following the proposal of the Supervisory Board, the Annual General Meeting of FUCHS PETROLUB SE on May 5, 2020 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Mannheim branch, as the auditor of the annual and consolidated financial statements for the financial year 2020 and as the auditor for any audit reviews of interim reports for the financial year 2020 and for the first quarter of 2021. The responsible auditor is Mr. Dirk Fischer. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was first appointed as the auditor of the annual and consolidated financial statements for the financial year 2018.

G. Shareholders and the Annual General Meeting

Share classes and movements in these classes

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. Around 55 % of the ordinary shares are held by Schutzgemeinschaft Familie Fuchs. 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.

Takeover law disclosures can be found in the corresponding section of the management report:
→ **100** Takeover law disclosures

Rights of shareholders at the Annual General Meeting

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 or a shareholders' association, by granting an appropriate power of attorney. In addition, the company offers them the option of having their voting right exercised by a voting representative appointed by the company.

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 addition, the speech by the Chairman of the Executive Board at the Annual General Meeting can be watched online.

Related parties

The consolidated financial statements explain relationships with shareholders, who qualify as related parties for the purposes of the applicable accounting standards.
→ **160** Relationships with related parties

Publications on transactions with related parties in accordance with Section 111c AktG can be found on the website:
→ www.fuchs.com/rel_party_trans

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. The presentation of the compensation report complies with the current requirements and is also based to a large extent on the legal requirements of the German Act to Implement the Second Shareholder Rights Directive (ARUG II), which will apply to disclosures on compensation from the financial year 2021 onward.

Compensation for members of the Executive Board

Compensation system for members of the Executive Board

1. General

Relevant for the compensation of the members of the Executive Board are 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 a horizontal and vertical comparative analysis.

The compensation system for members of the Executive Board thus creates incentives for successfully implementing the corporate strategy and for the company's long-term performance.

a. Setting the level of compensation

By law, the Supervisory Board is the body responsible for setting, reviewing and implementing compensation/the compensation system for members of the Executive Board. The Personnel Committee is responsible for preparing the relevant Supervisory Board decisions.

Based on the compensation system, the Supervisory Board sets target and maximum Executive Board compensation in advance for a period of several years. It also defines the long-term targets geared toward sustainable company success to determine the performance factor in advance for a period of several years. These targets are guided by the strategic guidelines at FUCHS and relate to the entire Executive Board. Using a horizontal and vertical comparative analysis, the Supervisory Board ensures that Executive Board compensation is appropriate. The Personnel Committee prepares the resolutions.

In the December of a calendar year, the Supervisory Board's Personnel Committee prepares a recommendation on the Executive Board's target achievement with regard to the performance factor. The Supervisory Board then makes a decision at its December meeting based on this recommendation. The Supervisory Board makes the final decision on the amount of variable compensation for the past financial year at the Supervisory Board meeting in March, which is also when a resolution is passed on the approval of the annual financial statements.

Horizontal comparison:

The level of compensation is set based on a peer group of various MDAX companies selected on the basis of belonging to the chemicals industry, the nature of their business or their main shareholder (listed companies with one family as majority shareholder). Characteristics such as company size, profitability and compensation structure are also taken into account. Taking these criteria into consideration, the members of the Executive Board are to be offered compensation that is standard for the market while also being competitive and in line with regulatory requirements. The peer group comprises Brenntag AG, Dürr AG, Knorr-Bremse AG, Lanxess AG and Symrise AG. In 2019, the average minimum total compensation in the peer group was 1.2 times that of a FUCHS PETROLUB SE Executive Board member, with maximum total compensation 1.5 times this amount.

Vertical comparison:

The internal company compensation structure is also applied when setting compensation for Executive Board members. As recommended by the German Corporate Governance Code in the version published in the Federal Gazette (Bundesanzeiger) on March 20, 2020, the vertical analysis draws on two peer groups. Firstly, the ratio of Executive Board compensation to staff costs for all Group employees is considered. Secondly, a comparison with the compensation of senior executives within the Group is being made. The peer group comprises the members of the Group Management Committee (excluding members of the Executive Board) and the managing partners of the Group companies.

b. Review of the compensation system
The system for compensating members of the Executive Board is reviewed by the Supervisory Board each year. The Personnel Committee conducts a horizontal and a vertical analysis. If changes are required, the Personnel Committee prepares a recommended resolution for the Supervisory Board.

In accordance with the provisions of Section 120a of the German Stock Corporation Act (AktG), the compensation system must be submitted to the Annual General Meeting for approval if any material changes are made and at least every four years. If the Annual General Meeting does not approve the compensation system, a revised compensation system must be presented for resolution no later than the subsequent Annual General Meeting.

c. Conflicts of interest:
Given that the Supervisory Board is responsible for setting, reviewing, and implementing the compensation system for members of the Executive Board, potential conflicts of interest are in principle avoided. There have been no conflicts of interest between individual members of the Supervisory Board in the past with regard to decisions by the Supervisory Board or the Personnel Committee regarding the compensation system for Executive Board members. If conflicts of interest were to occur in the future, FUCHS PETROLUB SE's general regulations for handling conflicts of interest on the Supervisory Board apply. These stipulate that the Supervisory Board member in question must disclose the conflict of interest immediately. The Chairman of the Supervisory Board then decides whether the Supervisory Board member can attend the meeting and receive information. If the conflict of interest is significant and not merely temporary, the Supervisory Board member in question must resign.

2. Compensation components
Compensation for members of the Executive Board comprises non-performance-based and performance-based components. These components are made up of the following elements:

- Non-performance-based compensation:
  - Fixed compensation
  - Additional benefits
  - Pension expenses

- Performance-based compensation:
  - STI (short-term incentive) in the sense of short-term, one-year compensation,
  - LTI (long-term incentive) in the sense of long-term compensation over several years.

Where contracts are concluded or terminated during the year, fixed compensation and performance-based compensation are granted on a pro rata basis.

a. Non-performance-based compensation:
Non-performance-based compensation is fixed compensation based on the full year and is paid in 13 equal installments (two installments are paid in November). Annual fixed compensation for the Chairman of the Executive Board is €880 thousand (€800 thousand until financial year 2019) and €550 thousand for the other members of the Executive Board (€500 thousand until financial year 2019).

In addition to fixed compensation, contracts also provide for additional benefits. These include the following:

- benefits in kind in the form of the personal use of a company car,
- benefits in kind in the form of accident insurance.

In terms of pension commitments, the following distinctions are made:

- 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. The corresponding pension provision is determined using the projected unit-credit method. Current service expenses, which may be subject to significant variability depending on the market interest rate, are recognized as annual pension expenses.

- From January 1, 2016, there are pension provisions in place for new members of the Executive Board via the Allianz provident fund. There are no additional obligations other than the requirement to pay contributions to assigned pension funds. The annual payments are recognized as pension expenses.

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.

b. Performance-based compensation

Performance-based compensation is calculated on the same basis for the STI and LTI using the following formula:

FVA x performance factor

The Chairman of the Executive Board receives 0.64 % of the value calculated and other members of the Executive Board each receive 0.32 %. Performance-based compensation is paid in March after the Supervisory Board meeting to approve the previous financial year's annual financial statements.

FVA (Fuchs Value Added)

FVA is the FUCHS Group's central key performance indicator and is used for variable compensation for local, regional and global management.

As an economic benefit, FVA embodies a holistic approach that looks at both profit and capital employed. It is therefore an expression of the strategic objectives and geared towards the long term.

FVA = **EBIT** − **Capital employed** × **Weighted average cost of capital (WACC)**

EBIT (earnings before interest and taxes) is the relevant profit indicator. EBIT illustrates operating performance and is not affected by financing or tax effects.

Capital employed is reflected in the net assets and financial position. Capital expenditure 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 and acquisitions are 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 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.

Capital employed is thus calculated over five reporting dates as followed:

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, and adjusted accordingly. 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). The WACC used was 10% before tax for the years 2014 to 2019 and 9.5% before tax in 2020.

Value is added only when the recorded earnings are higher than the costs of the capital employed. Entitlement to variable compensation is granted.

The FVA for the financial year in question is determined when the annual financial statements are approved and the consolidated financial statements are ratified.

Performance factor

The performance factor measures the annual attainment of agreed long-term targets. It is the same for all members of the Executive Board and is determined by the Supervisory Board. The performance factor ranges from a minimum of 0.75 (equivalent to target attainment of 75%) to a maximum of 1.25 (equivalent to target attainment of 125%). 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, ongoing personnel development, the establishment and further development of a sustainability concept and the creation of stakeholder value with a view to FUCHS's social responsibility. These targets are guided by the strategic guidelines at FUCHS and relate to the entire Executive Board.

An overall picture of the level of target attainment and thus the performance factor is put together in December of each year, i.e. the different aspects are not assessed individually or weighted. The Supervisory Board makes this decision on the basis of the target attainment proposed by the Personnel Committee.

Variable compensation comprises the following:

- 45% short-term incentive (STI) (until financial year 2019: 50% STI),
- 55% long-term incentive (LTI) (until financial year 2019: 50% LTI).

As both the STI and the LTI are dependent on the FVA and the performance factor, both are designed to take account of long-term company success and thus of a multi-year assessment basis. The distinction between the two is relevant with regard to the further obligation to use the LTI.

Members of the Executive Board must invest over half of the LTI in FUCHS PETROLUB SE preference shares (ISIN DE0005790430) within two weeks of it being paid. As recommended by the German Corporate Governance Code, this ensures that variable compensation is predominantly share-based, taking into account the respective tax burden. According to this, the preference shares acquired do not represent additional compensation for members of the Executive Board. As required under the German Corporate Governance Code, the preference shares acquired are subject to a four-year lock-up period (three-year period until financial year 2019). The vesting period begins when they are posted to the individual securities accounts and must be observed in full even if the Executive Board contract is terminated prematurely. In this period, the shares held by members of the Executive Board are exposed to all the risks and rewards of capital market performance. The preference shares are acquired on a uniform basis for all members of the Executive Board in order to ensure standard acquisition terms.

c. Target and maximum compensation:

Target compensation is the total amount paid to an Executive Board member for a financial year when target attainment is 100% for all compensation components. In the compensation system, target attainment is expressed by the performance factor. Target attainment of 100% corresponds to a performance factor of 1.0. Target compensation is 2.5 times fixed compensation. Target compensation is €2,200 thousand for the Chairman of the Executive Board and €1,375 thousand for ordinary Executive Board members. Target total compensation comprises individual additional benefits and pension expenses as well as target compensation.

Maximum total compensation for the Executive Board from 2016 to 2020

in € thousand	Maximum compensation 2016	Maximum total compensation 2016	Maximum compensation 2017	Maximum total compensation 2017	Maximum compensation 2018	Maximum total compensation 2018	Maximum compensation 2019	Maximum total compensation 2019	Maximum compensation 2020	Maximum total compensation 2020
Stefan Fuchs	3,200	3,408	3,200	3,454	3,200	3,438	3,200	3,430	3,520	3,828
Dr. Lutz Lindemann	2,000	2,195	2,000	2,228	2,000	2,216	2,000	2,213	2,200	2,470
Dr. Timo Reister	2,000	2,115	2,000	2,116	2,000	2,116	2,000	2,218	2,200	2,440
Dr. Ralph Rheinboldt	2,000	2,139	2,000	2,168	2,000	2,158	2,000	2,153	2,200	2,405
Dagmar Steinert	2,000	2,110	2,000	2,113	2,000	2,213	2,000	2,213	2,200	2,433
Total	**11,200**	**11,967**	**11,200**	**12,079**	**11,200**	**12,141**	**11,200**	**12,227**	**12,320**	**13,576**

Maximum compensation is 4 times the amount of fixed compensation. Maximum compensation is €3,520 thousand for the Chairman of the Executive Board and €2,200 thousand for ordinary Executive Board members. Maximum total compensation comprises individual additional benefits and pension expenses as well as maximum compensation. The pension expenses for Executive Board members appointed before January 1, 2016, do not exceed 40% of the average fixed compensation of the last three years before the termination of the contract of employment. Pension commitments for the other members of the Executive Board are defined contribution plans and total €220 thousand annually. They also receive a suitable company car and accident insurance. On this basis, maximum total compensation for the period from 2016 to 2020 is as follows:

The following table shows the share of target and maximum compensation (excluding additional benefits and pension commitments in each case) and of target and maximum total compensation (additional benefits and pension commitments allocated to fixed compensation in each case) made up by fixed compensation, the STI, and the LTI:

Breakdown of target and maximum compensation and of target total compensation and maximum total compensation

in %	Target compensation	Maximum compensation	Target total compensation	Maximum total compensation
Fixed compensation	40	25	≈48	36
Variable compensation	60	75	≈52	64
thereof STI	27	34	≈23	29
thereof LTI	33	41	≈29	35

The share of target total compensation attributable to fixed compensation and to variable compensation may vary due to annual fluctuations in the additional benefits and pension commitments granted. As a general rule, the target amounts of the variable compensation components should exceed the fixed compensation components (basic compensation, additional benefits, and pension commitments). The compensation system ensures that the LTI always accounts for a higher share than the STI. This way, along with the long-term nature of the FVA model and the performance factor, the Supervisory Board gears Executive Board compensation towards the company's long-term development.

3. Contractual agreements

a. Contractual terms and commitments in the event of premature termination

The basic regulations of Executive Board compensation were agreed with the members of the Executive Board in their employment contracts. Additional agreements are concluded with members of the Executive Board regarding variable compensation and the criteria relevant to measuring the performance factor. These are valid for multiple years.

Subject to prior mutual agreement, the term of the employment contracts is equal to the period of appointment. The requirements under stock corporate law and the recommendations of the German Corporate Governance Code are observed when appointing and reappointing members of the Executive Board. Initial appointments are generally not for more than three years. Reappointments are for a maximum of five years.

If Executive Board employment is terminated prematurely without cause, in accordance with the recommendations of the German Corporate Governance Code, the employment contracts provide for a compensation payment that is limited to a maximum of twice the annual compensation (sum of total compensation for last two financial years) 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 contracts do not provide for any extraordinary termination rights or redundancy payments in the event of a change in control. This also applies if a member of the Executive Board is permanently unable to work. If a member of the Executive Board is temporarily unable to work, the member continues to be paid the contractually agreed compensation for a duration of six months.

b. Extraordinary developments and variable compensation

In the event of extraordinary developments, the Supervisory Board can adjust the variable compensation calculated in accordance with the specifications above and set it higher or lower.

c. Clawback regulations for variable compensation

FUCHS PETROLUB SE is not contractually entitled to recover, in full or in part, variable compensation components already paid to members of the Executive Board. Regardless of this, compensation components can be reduced or compensation that has already been paid can be recovered if members of the Executive Board breach their duties and this results in a loss.

There are plans to agree a clawback regulation for members of the Executive Board in the financial year 2021.

d. Accepting board positions within and outside the Group

If members of the Executive Board accept Supervisory Board or other board positions at companies affiliated with FUCHS PETROLUB SE, they are not compensated for this separately. If, in exceptional cases, compensation for a position within the Group cannot be excluded, depending on the nature of the compensation this is offset against the Executive Board member's other compensation or the Executive Board member assigns it to FUCHS PETROLUB SE.

Supervisory Board or similar positions at external companies must be approved by the Supervisory Board. The Supervisory Board makes a decision on whether to offset the compensation for the individual case in question. It has so far chosen not to do so.

e. Post-contractual non-compete clause

Members of the Executive Board are subject to a 12-month post-contractual non-compete clause. FUCHS PETROLUB SE can waive this before termination of the employment relationship. If it does so, the right to compensation lapses one year after the declaration, regardless of whether the employment relationship remains in effect. They receive compensation equal to one half of the contractually agreed compensation for the duration of the non-compete clause. For the variable components, this is based on the average for the last three years. Other income is taken into account in compensation. Compensation is deducted from any redundancy payment in accordance with the recommendation of the German Corporate Governance Code.

Individual compensation for members of the Executive Board

Measurement parameters for variable compensation (STI and LTI) for members of the Executive Board are as follows:

Measurement parameters of variable compensation (STI and LTI)

		Share of Chairman of the Executive Board	Share of ordinary member of the Executive Board
		0,64 %	0,32 %
2020			
in € thousand			
FVA in € million	165		
Performance factor			
min	0.75	792	396
max	1.25	1,320	660
Performance factor 2020	**1.2**	**1,267**	**634**
2019			
in € thousand			
FVA in € million	174		
Performance factor			
min	0.75	837	418
max	1.25	1,394	697
Performance factor 2019	**1.1**	**1,227**	**614**

Total Executive Board compensation

2020	Non-performance-based compensation		Performance-based compensation		Pension expenses	**Total compensation**	Share of variable compensation	Target total compensation	Maximum total compensation
in € thousand	FIxed compensation	Additional benefits	STI	LTI					
Stefan Fuchs	880	18	570	697	290	2,455	52 %	2,508	3,828
Dr. Lutz Lindemann	550	23	285	349	247	1,454	44 %	1,645	2,470
Dr. Timo Reister	550	20	285	349	220	1,424	45 %	1,615	2,440
Dr. Ralph Rheinboldt	550	16	285	349	189	1,389	46 %	1,580	2,405
Dagmar Steinert	550	13	285	349	220	1,417	45 %	1,608	2,433
Total	**3,080**	**90**	**1,710**	**2,093**	**1,166**	**8,139**		**8,956**	**13,576**

2019	Non-performance-based compensation		Performance-based compensation		Pension expenses	**Total compensation**	Share of variable compensation	Target total compensation	Maximum total compensation
in € thousand	FIxed compensation	Additional benefits	STI	LTI					
Stefan Fuchs	800	18	613	614	212	2,257	54 %	2,230	3,430
Dr. Lutz Lindemann	500	22	307	307	191	1,327	46 %	1,463	2,213
Dr. Timo Reister	500	18	307	307	200	1,332	46 %	1,468	2,218
Dr. Ralph Rheinboldt	500	16	307	307	137	1,267	48 %	1,403	2,153
Dagmar Steinert	500	13	307	307	200	1,327	46 %	1,463	2,213
Total	**2,800**	**87**	**1,841**	**1,842**	**940**	**7,510**		**8,027**	**12,227**

By way of an overall assessment, the Supervisory Board set the performance factor for the financial year 2020 at 1.2. Key criteria for determining the performance factor are described below, with the final two sub-targets given more weighting due to FUCHS2025:

- The Covid-19 pandemic severely impacted business in 2020. FUCHS performed very well given the tough market environment, effectively managing cash generation and controlling costs. The performance factor for this sub-target was 1.1.

- Steady progress was made on the growth strategy in numerous projects. In particular, a new, stronger focus on a holistic, global approach to customers was established as a result of segmenting business areas. Acquisitions were also successfully integrated. The performance factor for this sub-target was 1.2.
- Key foundations have been laid for the future cultural and strategic development of FUCHS with FUCHS2025 and the resulting initiatives, projects and actions. The performance factor for this sub-target was 1.2.

The details of the compensation of the individual members of the Executive Board in the financial years 2019 and 2020 and the pension expenses can be taken from the following tables.

Total compensation paid to members of the Executive Board is lower than the total maximum compensation for the respective Executive Board member. Not all members of the Executive Board reached overall target compensation.

The variable compensation (STI and LTI) is paid out in March of the subsequent year.

The additional benefits comprise the following benefits for all members of the Executive Board:

- benefits in kind in the form of the personal use of a company car,
- benefits in kind in the form of accident insurance.

Preference share program (variable compensation, LTI)

	2016	2017	2018	2019
Acquisition date	March 22, 2017	March 22, 2018	March 21, 2019	March 20, 2020
Share price in €	42.53	46.23	38.66	34.08
End of lock-up period	March 21, 2020	March 21, 2021	March 20, 2022	March 19, 2023
Preference shares	**Amount**	**Amount**	**Amount**	**Amount**
Stefan Fuchs	11,616	9,519	11,434	9,001
Dr. Lutz Lindemann	5,808	4,760	5,717	4,505
Dr. Timo Reister	3,633	4,760	5,717	4,505
Dr. Ralph Rheinboldt	5,828	4,760	5,717	4,505
Dagmar Steinert	3,633	4,760	5,717	4,505
Shares with lock-up period January 1, 2020	**30,518**	**28,559**	**34,302**	**0**
Shares acquired in 2020				27,021
Expired lock-up period in 2020	−30,518			
Shares with lock-up period December 31, 2020	**0**	**28,559**	**34,302**	**27,021**

The preference shares acquired as part of variable compensation and the vesting periods for these are shown in the table. → ⵌ Preference share program (variable compensation, LTI)

Variable compensation for 2020 will be finalized at the Supervisory Board meeting in March 2021. Variable compensation is paid after the Supervisory Board meeting, with the requirement to acquire preference shares taking effect after this. Accordingly, the table does not contain any information on preference shares acquired as part of variable compensation for the financial year 2020.

Regarding pension expenses, the following distinction is made between the members of the Executive Board:

- Stefan Fuchs, Dr. Lutz Lindemann and Dr. Ralph Rheinboldt joined the Executive Board before January 1, 2016, and so current service expenses are recognized as annual pension expenses.

- Dr. Timo Reister and Dagmar Steinert were appointed to the Executive Board as of January 1, 2016, and so they receive pension provisions through the Allianz provident fund. There are no additional obligations other than the requirement to pay contributions to assigned pension funds.

The present value of pension commitments for defined benefit commitments less fund assets, which equates to the provision amount, is shown in the table. The rise in the present value in 2020 mainly resulted from the decrease in the interest rate from 1.0 % to 0.4 %.

→ # Present value of pension commitments

Present value of pension commitments

Dec 31, 2020	Present value	Fund assets	Pension provisions
in € thousand			
Stefan Fuchs	8,224	3,297	4,927
Dr. Lutz Lindemann	6,135	3,223	2,912
Dr. Ralph Rheinboldt	4,954	2,136	2,818
Total	**19,313**	**8,656**	**10,657**

Dec 31, 2019	Present value	Fund assets	Pension provisions
in € thousand			
Stefan Fuchs	6,885	2,837	4,048
Dr. Lutz Lindemann	5,318	2,754	2,564
Dr. Ralph Rheinboldt	4,124	1,851	2,273
Total	**16,327**	**7,442**	**8,885**

Relative development of salaries and profits over time

Annual change	2016 vs. 2015	2017 vs. 2016	2018 vs. 2017	2019 vs. 2018	2020 vs. 2019	2020 in € thousand
Total compensation						
Stefan Fuchs	–1 %	–6 %	0 %	–20 %	9 %	2,455
Dr. Lutz Lindemann	–1 %	–4 %	0 %	–17 %	10 %	1,454
Dr. Timo Reister	n. a.	21 %	0 %	–11 %	7 %	1,424
Dr. Ralph Rheinboldt	2 %	–5 %	0 %	–18 %	10 %	1,389
Dagmar Steinert	n. a.	22 %	0 %	–11 %	7 %	1,417
Profit development FUCHS Group						
FVA	4 %	–3 %	0 %	–31 %	–5 %	€165 million
Earnings after tax	10 %	3 %	7 %	–21 %	–3 %	€221 million
Average compensation per employee						
Group Senior Executives	7 %	–9 %	–2 %	–10 %	2 %	235
Group employees	–3 %	1 %	0 %	1 %	–3 %	64

The table hereafter shows how compensation for members of the Executive Board has developed in comparison to the company's profit and average compensation per employee over the last five financial years. The vertical compensation comparison is strongly influenced by exchange rates, company acquisitions, and changes at the local companies, and is therefore subject to fluctuations.

→ # Relative change in salaries and profit over time

No loans have been granted to members of the Executive Board.

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 compensation of former Executive Board members and their surviving dependents in 2020 amounted to €571 thousand (566). The pension provisions required for this – pension obligation less fund assets – came to €3,608 thousand (3,359).

Compensation for members of the Supervisory Board

Compensation system for members of the Supervisory Board

1. Procedure for reviewing the structure and amount of compensation

The Supervisory Board regularly reviews the compensation paid to its members. The structure and amount of Supervisory Board compensation is reviewed in terms of its appropriateness, taking account of compensation at other comparable companies. As the work of a Supervisory Board member fundamentally differs from the work of a company employee, Supervisory Board compensation is not compared with company employees' compensation on a vertical basis.

Appropriate Supervisory Board compensation ensures that FUCHS PETROLUB SE can continue to attract exceptionally qualified candidates to the Supervisory Board. Supervisory Board compensation therefore makes a long-term contribution to promoting the corporate strategy and the company's long-term performance.

2. Conflicts of interest

Due to the statutory division of powers, members of the Supervisory Board are involved in the process of reviewing their compensation system. To avoid the conflict of interest that this entails, the decision on the final compensation system is by law made by the Annual General Meeting and the

Compensation of the Supervisory Board

2020

in € thousand	Fix	Variable	Committee work	Sum
Dr. Kurt Bock (since May 7, 2019)	120	37	20	177
Dr. Jürgen Hambrecht (until May 7, 2019)				
Dr. Susanne Fuchs	80	25	30	135
Jens Lehfeldt (since May 7, 2019)	60	19		79
Horst Münkel (until May 7, 2019)				
Ingeborg Neumann	60	19	39	118
Lars-Eric Reinert (until May 5, 2019)	21	6		27
Cornelia Stahlschmidt (since May 5, 2019)	40	12		52
Dr. Erhard Schipporeit (until May 5, 2019)	30	10	18	58
Dr. Christoph Loos (since May 5, 2019)	40	12	13	65
Total	**451**	**140**	**120**	**711**

2019

in € thousand	Fix	Variable	Committee work	Sum
Dr. Kurt Bock (since May 7, 2019)	78	27	13	118
Dr. Jürgen Hambrecht (until May 7, 2019)	43	14	7	64
Dr. Susanne Fuchs	60	20	30	110
Jens Lehfeldt (since May 7, 2019)	39	13		52
Horst Münkel (until May 7, 2019)	21	7		28
Ingeborg Neumann	60	20	20	100
Lars-Eric Reinert (until May 5, 2019)	60	20		80
Cornelia Stahlschmidt (since May 5, 2019)				
Dr. Erhard Schipporeit (until May 5, 2019)	90	31	50	171
Dr. Christoph Loos (since May 5, 2019)				0
Total	**451**	**152**	**120**	**723**

corresponding resolution proposal is submitted by the Executive Board and the Supervisory Board.

3. Compensation components

The compensation of the Supervisory Board is definitively based on Article 16 of the Articles of Association of FUCHS PETROLUB SE. There are no ancillary or supplementary agreements. The compensation rules apply equally to the shareholder representatives and to the employee representatives on the Supervisory Board. In addition to reimbursement of their expenses, the members of the Supervisory Board receive fixed compensation and variable compensation.

Fixed compensation is €60,000 for each Supervisory Board member and is payable after the end of the financial year.

Variable compensation, which varies depending on the company's performance, is €200 for every €0.01 by which earnings per share (= average of ordinary and preference shares, hereinafter referred to as "EPS") recognized in the consolidated financial statements for the financial year for which the compensation is paid exceed the minimum EPS. The minimum EPS amounted to €0.65 for the financial year 2020 and increase by €0.03 every subsequent year starting from January 1, 2021. Variable compensation must not exceed two thirds of fixed annual compensation and is paid after the Supervisory Board meeting that passes a resolution ratifying the annual financial statements for the immediately preceding financial year.

Preference share program (variable compensation, LTI)

Year of variable compensation	2015	2016	2017	2018	2019
Acquisition date	May 9, 2016	May 9, 2017	May 14, 2018	May 9, 2019	May 7, 2020
Share price in €	36.92	48.12	45.16	34.61	34.82
End of lock-up period	May 8, 2021	May 8, 2022	May 13, 2023	May 8, 2024	May 6, 2025
Preference shares	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
Dr. Kurt Bock					380
Dr. Susanne Fuchs			200	427	292
Ingeborg Neumann	212	278	305	427	292
Dr. Christoph Loos (since May 5, 2020)					
Dr. Erhard Schipporeit (until May 5, 2020)	325	278	405	640	
Jens Lehfeldt					190
Cornelia Stahlschmidt (since May 5, 2020)					
Lars-Eric Reinert (until May 5, 2020)	325	278	305	427	
Shares with lock-up period January 1, 2020	**862**	**834**	**1,215**	**1,921**	**0**
Shares acquired in 2020					1,154
Termination of lock-up period due to ending of mandate in 2020	–650	–556	–710	–1,067	0
Shares with lock-up period December 31, 2020	**212**	**278**	**505**	**854**	**1,154**

At least 50 % of variable compensation must be invested in preference shares in the company. These are subject to a lock-up period. The lock-up period was five years for preference shares from variable compensation paid for financial years up to and including 2019 but was waived if the member left the Supervisory Board. Preference shares from variable compensation paid for financial years from 2020 onwards are subject to a four-year lock-up period in accordance with the German Corporate Governance Code. The lock-up period must also be observed in full even if the Supervisory Board contract is terminated.

Additional compensation is granted to account for higher organizational and administrative expenses incurred by the Chairman of the Supervisory Board and his Deputy Chairman and the committee members and their Chair. The Chairman of the Supervisory Board receives double and the Deputy Chairman one and a half times this compensation. Members of the Supervisory Board who are members of the Audit Committee receive fixed compensation of €20,000 payable after the end of the financial year for their work on the Audit Committee and €10,000 for their work on the Personnel Committee. The Chairmen of the Audit and Personnel Committees each receive double the aforementioned amounts. Members of the Nomination Committee do not receive any separate compensation.

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.

Members of the Supervisory Board are reimbursed up to €600 for the costs of holding the preference shares, where evidence of these costs is provided.

Individual compensation for members of the Supervisory Board

The details of the compensation of the individual members of the Supervisory Board in the financial year 2020 are shown in the following table.
→ # **97** Compensation of the Supervisory Board

The preference shares acquired as part of variable compensation and the vesting periods for these are shown in the table below: → # **98** Preference share program (variable compensation, LTI)

The variable compensation for 2020 is calculated based on the earnings per share reported in the consolidated financial statements. It is paid after the Supervisory Board meeting, with the requirement to acquire preference shares taking effect after this. Accordingly, the table does not contain any information on preference shares acquired as part of variable compensation for the financial year 2020.

No loans have been granted to members of the Supervisory Board.

It is intended to propose to the Annual General Meeting 2021 that Supervisory Board compensation be switched to fixed compensation, part of which is to be invested in preference shares with a four-year vesting period.

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 or 1.5 times the individual fixed compensation. The deductible for members of the Supervisory Board will no longer apply starting in the financial year 2021.

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, 2020 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), and in particular on Article 9 of the SE Regulation in conjunction with Sections 12, 53a et seq., 118 et seq. and 186 AktG.

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 four years which also continues to apply if the member leaves the respective executive body. Until the financial year 2019, the vesting period was three years for members of the Executive Board and five years for members of the Supervisory Board, although the vesting period no longer applied if the member left the Supervisory Board.

The Executive Board is not aware of any other restrictions on voting rights or the transfer of shares that go beyond the statutory provisions such as Sections 136 and 71b AktG.

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 previous regulation in the Articles of Association that authorized the Executive Board to perform a capital increase from authorized capital expired as of May 5, 2020. By resolution of the Supervisory Board on May 7, 2020, the authorization to create authorized capital that was contained in the Articles of Association for this purpose was revoked.

The Annual General Meeting on May 5, 2020 revoked the authorization to acquire treasury shares that had been resolved by the Annual General Meeting on May 6, 2015. The Annual General Meeting on May 5, 2020 authorized the Executive Board, with the approval of the Supervisory Board, to acquire own ordinary or preference shares by May 4, 2025 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.

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, Frankfurt am Main, Mannheim branch, the independent auditor of FUCHS PETROLUB SE, has audited this dependent company report and provided it with an unqualified audit opinion.

Financial Report

13.2 %

EBIT margin

238 € million

Free cash flow before acquisitions – high cash generation

75 %

Equity ratio at a high level

3

Financial Report

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* Part of the notes.

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

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Income statement

				Change	
in € million	Notes	2020	2019	absolute	relative in %
Sales revenues	(1)	2,378	2,572	–194	–8
Cost of sales	(2)	–1,524	–1,682	158	–9
Gross profit		**854**	**890**	**–36**	**–4**
Selling and distribution expenses	(3)	–366	–379	13	–3
Administrative expenses	(4)	–139	–134	–5	4
Research and development expenses	(5)	–54	–55	1	–2
Other operating income and expenses	(6)	8	–12	20	–
EBIT before income from companies consolidated at equity		**303**	**310**	**–7**	**–2**
Income from companies consolidated at equity	(7)	10	11	–1	–9
Earnings before interest and tax (EBIT)		**313**	**321**	**–8**	**–3**
Financial result	(8)	–5	–4	–1	25
Earnings before tax (EBT)		**308**	**317**	**–9**	**–3**
Income taxes	(9)	–87	–89	2	–2
Earnings after tax		**221**	**228**	**–7**	**–3**
Thereof					
Non-controlling interests	(10)	1	0	1	0
Profit attributable to shareholders of FUCHS PETROLUB SE		220	228	–8	–3
Earnings per share in €[1]	(11)				
Ordinary share		1.58	1.63	–0.05	–3
Preference share		1.59	1.64	–0.05	–3

[1] Basic and diluted in both cases.

Statement of comprehensive income

in € million	2020	2019
Earnings after tax	**221**	**228**
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	–52	15
Shares in companies consolidated at equity	–9	–2
Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods		
Remeasurements of defined benefit pension commitments	–8	–11
Profit-neutral changes of shares in companies consolidated at equity	0	2
Fair value changes of equity instruments	0	0
Deferred taxes on these amounts	2	3
Total other comprehensive income	**–67**	**7**
Total income and expenses for the period	**154**	**235**
Thereof		
Non-controlling interests	1	0
Profit attributable to shareholders of FUCHS PETROLUB SE	153	235

For further information, please refer to the notes under item 25.

→ 144 Pension provisions

Balance sheet

in € million	Notes	Dec 31, 2020	Dec 31, 2019	Change absolute	Change relative in %
Assets					
Goodwill	(14)	236	175	61	35
Other intangible assets	(14)	117	94	23	24
Property, plant and equipment	(15)	700	647	53	8
Shares in companies consolidated at equity	(16)	53	47	6	13
Other financial assets	(17)	7	8	–1	–13
Deferred tax assets	(18)	32	29	3	10
Other receivables and other assets	(22)	1	1	0	0
Non-current assets		**1,146**	**1,001**	**145**	**14**
Inventories	(19)	359	381	–22	–6
Trade receivables	(20)	369	381	–12	–3
Tax receivables	(21)	7	9	–2	–22
Other receivables and other assets	(22)	30	32	–2	–6
Cash and cash equivalents	(23)	209	219	–10	–5
Current assets		**974**	**1,022**	**–48**	**–5**
Total assets		**2,120**	**2,023**	**97**	**5**

Balance sheet

in € million	Notes	Dec 31, 2020	Dec 31, 2019	Change absolute	Change relative in %
Equity and liabilities					
Subscribed capital		139	139	0	0
Group reserves		1,220	1,193	27	2
Group profits		220	228	–8	–3
Equity of shareholders of FUCHS PETROLUB SE		1,579	1,560	19	1
Non-controlling interests		1	1	0	0
Total equity	(24)	**1,580**	**1,561**	**19**	**1**
Pension provisions	(25)	43	36	7	19
Other provisions	(27)	11	5	6	>100
Deferred tax liabilities	(18)	41	32	9	28
Financial liabilities	(29)	16	14	2	14
Other liabilities	(30)	20	2	18	>100
Non-current liabilities		**131**	**89**	**42**	**47**
Trade payables	(26)	233	219	14	6
Other provisions	(27)	18	24	–6	–25
Tax liabilities	(28)	40	27	13	48
Financial liabilities	(29)	14	12	2	17
Other liabilities	(30)	104	91	13	14
Current liabilities		**409**	**373**	**36**	**10**
Total equity and liabilities		**2,120**	**2,023**	**97**	**5**

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, 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**
Adjustments IAS 29 "Hyperinflationary economies"				0		0		0
Dividend payments				–134		–134	–1	–135
Earnings after tax 2020				220		220	1	221
Change in other comprehensive income				–6[2]	–61	–67		–67
As at December 31, 2020	**139,000,000**	**139**	**97**	**1,427**	**–84**	**1,579**	**1**	**1,580**

[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, profit-neutral 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 24.

→ 143 Total equity

Statement of cash flows

in € million	2020	2019
Earnings after tax	**221**	**228**
Depreciation, amortization and impairment of non-current assets	80	79
Change in non-current provisions and in other non-current assets (covering funds)	–2	1
Change in deferred taxes	–1	–2
Non-cash income from shares in companies consolidated at equity	–10	–11
Dividends received from companies consolidated at equity	4	2
Gross cash flow	**292**	**297**
Gross cash flow	292	297
Change in inventories	12	38
Change in trade receivables	4	6
Change in trade payables	18	1
Change in other assets and other liabilities (excluding financial liabilities)	34	–14
Net gain/loss on disposal of non-current assets	0	1
Cash flow from operating activities	**360**	**329**
Investments in non-current assets	–122	–154
Proceeds from the disposal of non-current assets	0	0
Cash paid for acquisitions	–115	–14
Cash acquired through acquisitions	1	1
Cash flow from investing activities	**–236**	**–167**
Free cash flow before acquisitions[1]	238	175
Free cash flow	**124**	**162**
Dividends paid for previous year	–135	–131
Changes in financial liabilities	1	–8
Cash flow from financing activities	**–134**	**–139**
Cash and cash equivalents as at Dec 31 of the previous year	**219**	**195**
Cash flow from operating activities	360	329
Cash flow from investing activities	–236	–167
Cash flow from financing activities	–134	–139
Effect of currency translations	0	1
Cash and cash equivalents at the end of the period	**209**	**219**

[1] Free cash flow before cash paid for acquisitions and before cash acquired through acquisitions.

The paid taxes on income total €70 million (97). They are included in the cash flow from operating activities.

€5 million (4) was paid for interest. Interest payments received totaled €0 million (1). Both are included in the cash flow from operating activities.

For further explanation on the statement of cash flows see item 33 in the notes.

→ 158 Notes to the statement of cash flows

Segments[1]

	EMEA			Asia-Pacific			North and South America			Holding/ consolidation		FUCHS Group		
in € million	**2020**	2019	Change	**2020**	2019	Change	**2020**	2019	Change	**2020**	2019	**2020**	2019	Change
Sales revenues by customer location	1,237	1,371	–134	743	765	–22	398	436	–38	0	0	2,378	2,572	–194
Sales revenues by company location	1,446	1,579	–133	698	718	–20	387	418	–31	–153	–143	2,378	2,572	–194
thereof with other segments	151	142	9	0	0	0	2	1	1	–153	–143	0	0	0
Scheduled amortization and depreciation	47	46	1	14	13	1	18	13	5	1	1	80	73	7
Impairment losses[2]	0	6	–6	0	0	0	0	0	0	0	0	0	6	–6
EBIT before income from companies consolidated at equity	158	156	2	100	93	7	42	49	–7	3	12	303	310	–7
Income from companies consolidated at equity	10	11	–1	0	0	0	0	0	0	0	0	10	11	–1
Segment earnings (EBIT)	168	167	1	100	93	7	42	49	–7	3	12	313	321	–8
Shares in companies consolidated at equity	53	47	6	0	0	0	0	0	0	0	0	53	47	6
Additions to property, plant and equipment and other intangible assets	75	97	–22	22	31	–9	13	22	–9	12	4	122	154	–32
Additions from acquisitions[2]	3	0	3	0	8	–8	127	3	124	0	0	130	11	119
Employees as at December 31[3]	3,803	3,820	–17	924	932	–8	862	745	117	139	130	5,728	5,627	101
Performance indicators														
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %	10.9	9.9		14.3	13.0		10.9	11.7				12.7	12.1	

[1] Part of the notes.
[2] Relating to property, plant and equipment, goodwill and other intangible assets.
[3] 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, 2020, 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 2020, 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 (Friesenheimer Straße 17, 68169 Mannheim) and registered with the District Court of Mannheim (commercial registration number: HRB 717394).

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

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 parentheses. 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 2, 2021. The consolidated financial statements will be discussed with the Supervisory Board's Audit Committee and then presented to the Supervisory Board for approval during the meeting on March 8, 2021, and released for publication.

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 2020 for the first time are outlined in the following section. Their first-time application in the financial year 2020 did not have any effects on the FUCHS Group.

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.

Amendments to IAS 1 and IAS 8 – Definition of "Material"

With the amendments in IFRS, a consistent and more precise 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.

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.

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. Along with the amended Conceptual Framework, references to the Conceptual Framework were also adjusted in various standards.

The FUCHS Group currently assumes that the following future amendments for financial years from 2021 onward, none of which were applied early in 2020, will not have any significant effects on the consolidated financial statements.

Standards adopted by the EU

Amendments to IFRS 16 – Leasing – Covid-19-Related Rent Concessions
IFRS 16 contains regulations on accounting for changes in lease payments (including rent concessions) at the lessee. For each lease, the lessee must check whether the rent concessions granted represent a lease modification and consequently remeasure the lease liability. The amendment to IFRS 16 grants practical relief on utilization. This is subject to certain prerequisites and is temporary. As a result of this relief, the lessee does not need to account for rent concessions granted in connection with the coronavirus pandemic in accordance with the regulations for lease modifications, but instead as if they were not lease modifications. These amendments are applicable for annual reporting periods starting on or after June 1, 2020. Early adoption is also permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
The amendments relating to the second phase of the IBOR reform project (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases) supplement the provisions of the first phase of the project and are applied when one reference interest rate is replaced by another. With regard to accounting for financial instruments, individual aspects are affected in particular. New risks arising from the reform and the way in which the transition to alternative reference rates is handled must be disclosed. As well as amendments to IFRS 9, IAS 39, and IFRS 7, the IASB also adopted minor amendments to IFRS 4 and IFRS 16. These amendments are applicable for reporting periods starting on or after January 1, 2021.

Standards not yet adopted by the EU

Amendments to IFRS 3 – Reference to the Conceptual Framework
Along with the amended Conceptual Framework, references to the Conceptual Framework were also adjusted in various standards, including IFRS 3. The regulations for the recognition of company acquisitions have not been changed in terms of their content. Subject to endorsement by the EU, these amendments are to be applied to business combinations for which the acquisition date is on or after January 1, 2022. Early adoption is also permitted.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds from Sale During Production

The amendments clarify that proceeds received by a company from the sale of items that were produced while it was preparing the asset for its intended use (such as product samples) and the associated costs are to be recognized in profit or loss. It is not permissible to include such amounts in the calculation of acquisition costs. Subject to endorsement by the EU, these amendments are applicable for reporting periods starting on or after January 1, 2022. Early adoption of the amendments is permitted, provided they are endorsed by the EU.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments relate to defining which costs a company should include when assessing whether a contract will be loss-making. They specify that the cost of fulfilling a contract comprises all costs that relate directly to the contract. As such, costs that would not be incurred without the contract (incremental cost) as well as other costs directly attributable to the contract are to be taken into account. Subject to endorsement by the EU, these amendments are applicable for reporting periods starting on or after January 1, 2022. Early adoption of the amendments is permitted, provided they are endorsed by the EU.

Improvements to IFRS 2018 – 2020

As a result of the Annual Improvements to IFRSs, the standards IFRS 1, IFRS 9, IFRS 16, and IAS 41 were amended. Subject to endorsement by the EU, these amendments are applicable for reporting periods starting on or after January 1, 2022. Early adoption of the amendments is permitted, provided they are endorsed by the EU.

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

The adopted amendments to IAS 1 relate to a limited adjustment of the assessment criteria for classifying liabilities as current or non-current. It is clarified that the classification of liabilities as non-current depends on whether 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. If such rights exist, the liability is to be classified as non-current. The right to defer settlement of the liability must be substantial. If the entity must fulfill certain conditions in order to exercise such a right, these conditions must be fulfilled at the end of the reporting period; otherwise, the liability is to be classified as current. Subject to endorsement by the EU, these amendments are applicable for reporting periods starting on or after January 1, 2023. Early adoption of the amendments is permitted, provided they are endorsed by the EU.

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, 2020	**38**	**21**	**9**	**68**
Additions	0	0	1	1
Disposals	0	0	0	0
Dec 31, 2020	**38**	**21**	**10**	**69**
Companies consolidated at equity				
Jan 1, 2020	**5**	**0**	**0**	**5**
Additions	3	0	0	3
Disposals	0	0	0	0
Dec 31, 2020	**8**	**0**	**0**	**8**

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 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 39.
→ 165 Shareholding

The scope of consolidation is made up of 69 (68) companies in total, including the parent company. Changes to the basis of consolidation in 2020 are explained in the section below.

Changes in the scope of consolidation

Additions from fully consolidated companies

	in %
NYE LUBRICANTS INC.	100

Additions from at equity consolidated companies

	in %
FUCHS MOZAMBIQUE LDA	50
FUCHS ZAMBIA LIMITED	50
FUCHS ZIMBABWE (PVT) LTD	50

Acquisitions

With effect from January 24, 2020, FUCHS CORPORATION, Dover, Delaware, USA, acquired all shares in NYE LUBRICANTS INC., Fairhaven, Massachusetts, USA. With this acquisition, the FUCHS Group has expanded its product portfolio in the field of specialty lubricants and gained 183 new employees as of the acquisition date. The consideration transferred (purchase price) of €115 million was settled in cash in the amount of €87 million as of the acquisition date. The outstanding contingent consideration, which depends on earnings before interest, tax, depreciation, and amortization for the years 2020 and 2021 and has been recognized at a total fair value of €28 million, is due in two installments for 2020 and 2021 in the respective subsequent year. The costs of €1 million for legal advice and other incidental acquisition costs in connection with the acquisition were recognized as current expenses.

With effect from November 2, 2020, FUCHS LUBRICANTS CO., Illinois, USA, acquired the lubricants business of PolySi Technologies Incorporated, Ohio, USA. With this acquisition, the FUCHS Group has expanded its product portfolio in the field of specialty lubricants. The purchase price of €16 million was settled in cash. The costs of €0 million for legal advice and other incidental acquisition costs in connection with the acquisition were recognized as current expenses.

The assets and liabilities of NYE LUBRICANTS INC. and PolySi Technologies Incorporated included in the consolidated balance sheet for the first time were recognized at the following calculated fair values:

Fair value as of first-time consolidation date

in € million	
Other intangible assets (not including goodwill)	44
Property, plant and equipment	8
Non-current assets	**52**
Inventories	6
Trade receivables	9
Other receivables and other assets	1
Cash and cash equivalents	1
Current assets	**17**
Total assets	**69**
Deferred tax liabilities	11
Non-current liabilities	**11**
Trade payables	2
Other liabilities and provisions	1
Current liabilities	**3**
Total liabilities	**14**
Net assets	**55**
Goodwill	**76**
Consideration transferred	**131**

Of the above fair values as of the first-time consolidation date, other intangible assets (€9 million), particularly customer relationships, inventories (€1 million) and trade receivables (€2 million), and tax-deductible goodwill (€4 million) are attributable to PolySi. The remaining non-tax-deductible goodwill is attributable to NYE LUBRICANTS. This goodwill arises from the synergy and income potential expected from the integration of operating business in the FUCHS Group. Within the purchase price allocation of NYE LUBRICANTS to the time of the first-time consolidation based on the final valuation report, other intangible assets were increased by €9 million, deferred tax liabilities by €2 million and goodwill by €16 million compared to the preliminary purchase price allocation in the half-year financial report 2020.

Since becoming part of the Group (NYE LUBRICANTS: January 24, 2020; PolySi: November 2, 2020), the two acquired businesses have contributed €43 million (thereof PolySi: €1 million) to the FUCHS Group's sales revenues. After taking account of the effects from the purchase price allocations, there was a contribution to the FUCHS Group's EBIT of just under €4 million (thereof PolySi: €0 million). Assuming that the acquisitions had already taken place as of January 1, 2020, consolidated sales revenues would have amounted to €2,389 million and consolidated EBIT to €315 million for the financial year 2020.

With effect from October 1, 2020, FUCHS LUBRIFICANTI S.P.A., Italy, acquired the lubricants business of WELPONER SRL, Bolzano, for a purchase price of €2 million. The object of the acquisition is particularly the customer relationships and the workforce. The purchase price was allocated entirely to customer relationships. The company WELPONER, a long-standing commercial partner of FUCHS, generated sales revenues of around €4 million in the financial year 2019. The business acquired from WELPONER complements FUCHS' existing business in Italy.

With effect from January 2, 2020, FUCHS PETROLUB SE acquired a share of 50% each in three distributors based in Zimbabwe, Zambia, and Mozambique for a purchase price totaling approximately €9 million, which is recognized under shares in companies consolidated at equity in the FUCHS consolidated financial statements starting from the financial year 2020. Following the establishment of a FUCHS company in Tanzania in June 2019, these acquired shares strengthen FUCHS' presence in Africa. The three new joint ventures have 94 employees and generated sales revenues of around €21 million in the financial year 2019.

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 other 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 14.
→ 117 Accounting policies

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. Intermediate intercompany results from sales and services rendered between consolidated subsidiaries and companies consolidated at equity 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 a 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, 2020	Dec 31, 2019
US dollar	1.227	1.121
British pound	0.899	0.846
Chinese renminbi yuan	8.023	7.808
Australian dollar	1.590	1.599
South African rand	18.022	15.695
Polish zloty	4.560	4.253
Brazilian real	6.374	4.507
Argentinean peso	102.701	67.138
Russian ruble	91.467	69.503
South Korean won	1,336.000	1,295.150
Swedish krona	10.034	10.497

Average rate

€1	2020	2019
US dollar	1.141	1.119
British pound	0.889	0.877
Chinese renminbi yuan	7.871	7.734
Australian dollar	1.656	1.610
South African rand	18.781	16.173
Polish zloty	4.444	4.297
Brazilian real	5.892	4.415
Argentinean peso	80.852	53.877
Russian ruble	82.646	72.426
South Korean won	1,344.880	1,304.500
Swedish krona	10.486	10.585

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 methods, as well as the notes and disclosures regarding the consolidated financial statements for the financial year 2020, 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 Executive Board deems to be applicable under the respective circumstances.

Due to the currently unforeseeable global effects of the Covid-19 pandemic, these estimates and judgments are subject to increased uncertainty. The amounts that actually arise may differ from the estimates and judgments. As a result of the worldwide decline in demand, the Covid-19 pandemic had a negative impact on the FUCHS Group's results of operations in the financial year 2020. Due to a strong fourth quarter, the decline in sales revenues and earnings was less significant than had been expected at the start of the fourth quarter. The Executive Board currently expects the pandemic to be a temporary event that will not have a sustained negative impact on the FUCHS Group's long-term business development.

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 amount of fair value less costs of disposal and value in use. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are measured for the purpose of impairment testing.

As of December 31, 2020, the allocation of goodwill was adjusted. The allocation performed in the previous years now no longer reflects the complex regional interconnections within the FUCHS Group and therefore also no longer corresponds to the regional management. In the FUCHS Group, goodwill is managed by a regional management team that reports to the Executive Board member responsible for the overall region. Due to the change, an impairment test was also performed as in the previous year for the last time as of December 31, 2020. This also did not show any need for impairment.

If the recoverable amount is lower than the carrying amount of the groups of cash-generating units, 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, which comprises the budget for the following year and four subsequent planning years, serves as the basis for planning. In the reporting year 2020, the underlying mid-term planning was extended to a total of five years (previously three years) on account of the FUCHS2025 strategy. Without this change, no impairment would have arisen here, either. In some individual cases, anticipated longer-term effects, e.g. due to a new plant, were already reflected in a longer planning horizon of up to five years in the previous year.

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 14 for further information. → 131 Goodwill and other intangible assets

Company acquisitions

The purchase price allocations and calculations of fair values for identified assets and liabilities in the context of company acquisitions are performed on the basis of estimates. Various measurement methods are used to measure other 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. The fair value of contingent consideration is determined on the basis of estimates, as its level depends on future earnings figures of the acquired company.

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 five-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 for the impairment test calculations is also important. 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 25 for further information. → 144 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 18 for further information. → 140 Deferred tax assets and liabilities

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

- impairments of other 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.

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.

Goodwill and other 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 other intangible assets and property, plant and equipment

The carrying value of definite-lived other 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 15 on property, plant and equipment.
→ 135 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) is applied retrospectively, 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 €0 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 is reported at fair value using a discounted cash flow method in line with IFRS 9. 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 derivatives (forward currency transactions) with a negative fair value, which are reported under other current liabilities, and contingent consideration from company acquisitions, which is reported under other current and non-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 32 on "Financial instruments".
→ 152 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 uncollectability 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 32.
→ 152 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 intercompany 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 uncertain 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 generally recognized at amortized cost. Derivatives and contingent consideration from company acquisitions are exceptions here, as they are recognized at fair value.

Lease liabilities are reported at the present value of future lease payments and reported in current and non-current financial liabilities.

Notes to the income statement

1 Sales revenues

Sales revenues can be broken down by product group as follows: → # Breakdown of sales revenues by product group

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 below the previous year's level at €1,058 million (1,153) 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 below the previous year's level at €1,248 million (1,338) in the FUCHS Group. At 52 % (52), this group represents the largest share of Group sales revenues.

Other products mainly include toll blending, chemical process management and trade activities. Their share in the FUCHS Group decreased to €72 million (81), while its share of consolidated sales revenues was unchanged at 3 % (3).

Breakdown of sales revenues by product group

	EMEA		Asia-Pacific		North and South America		FUCHS Group	
2020	in € million	in %	in € million	in %	in € million	in %	in € million	in %
Automotive lubricants	603	46	394	57	61	16	1,058	45
Industrial lubricants and specialties	631	49	301	43	316	82	1,248	52
Other products	61	5	3	0	8	2	72	3
	1,295	**100**	**698**	**100**	**385**	**100**	**2,378**	**100**

	EMEA		Asia-Pacific		North and South America		FUCHS Group	
2019	in € million	in %	in € million	in %	in € million	in %	in € million	in %
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**

2 Cost of sales

in € million	**2020**	2019
Cost of purchased raw materials, supplies, goods for resale and purchased services	1,341	1,501
Cost of materials	**1,341**	**1,501**
Staff costs	97	92
Depreciation and amortization of property, plant and equipment and other intangible assets	33	31
Third-party services	20	23
Maintenance costs	14	15
Energy costs	12	12
IT/ERP costs	1	1
Other costs	6	7
	1,524	**1,682**

3 Selling and distribution expenses

in € million	2020	2019
Staff costs	171	172
Freight	97	98
Depreciation and amortization of property, plant and equipment and other intangible assets	30	27
Third-party services	15	16
Marketing costs	12	15
Commission payments	12	11
Travel expenses	7	15
Rental and lease expenses	3	5
Maintenance costs	3	4
IT/ERP costs	3	2
Other taxes	1	2
Other costs	12	12
	366	**379**

Marketing costs also include expenses for automotive and motorbike sponsoring, participation in trade fairs, advertising materials, promotional gifts, and advertisements. Third-party services include distribution services and trademark management. Other costs include pro rata costs of communication and pro rata insurance premiums.

4 Administrative expenses

in € million	2020	2019
Staff costs	79	77
Depreciation and amortization of property, plant and equipment and other intangible assets	12	11
IT/ERP costs	11	9
Third-party services	9	8
Audit and consultancy costs	7	6
Other taxes	5	4
Travel expenses	2	4
Maintenance costs	1	2
Rental and lease expenses	1	1
Other costs	12	12
	139	**134**

Third-party services also include the costs of trademark and brand management. Other costs include pro rata communication costs and pro rata insurance premiums.

IT/ERP costs comprise expenses in connection with IT operations and costs for ERP systems used to manage business processes. In the financial year 2020, these were reported as a separate expense item for the first time. The previous year's expense items (mainly third-party services and consultancy costs) were presented on a like-for-like basis. The disclosure of the cost of sales and selling expenses was likewise changed.

5 Research and development expenses

in € million	2020	2019
Staff costs	34	35
Third-party services	8	8
Depreciation and amortization of property, plant and equipment and other intangible assets	5	4
Maintenance costs	2	2
Other costs	5	6
	54	55

6 Other operating income and expenses

This item includes all operating income and expenses that cannot be allocated directly to the functions.

Other operating income and expenses

in € million	2020	2019
Income from		
Currency exchange gains	8	6
Reversal of provisions	1	2
Licenses and own work capitalized	2	2
Reversals of write-downs of receivables	5	2
Compensation (and in previous year government cost subsidies in China)	8	9
Disposals of fixed assets	0	0
Miscellaneous operating income	11	9
Other operating income	**35**	**30**
Currency exchange losses	8	6
Write-downs of receivables	7	8
Restructuring costs and severance payments	4	3
Losses from the disposal of fixed assets	1	1
Impairments on goodwill	0	6
Past service cost pension obligations	0	1
Disposed carrying amounts from closed plant in China	0	7
Miscellaneous operating expenses	7	10
Other operating expenses	**27**	**42**
Other operating income and expenses	**8**	**–12**

Miscellaneous operating income also includes income from other sales and services.

Write-downs of receivables include irrecoverable receivables of €2 million (3).

Impairment on goodwill in the previous year relates to our subsidiary in Sweden. Please refer to note 14 for further information. → 131 Goodwill and other 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.

7 Income from companies consolidated at equity

Earnings from companies consolidated at equity include the pro rata earnings from joint ventures and associated companies.

Income from companies consolidated at equity

in € million	2020	2019
Income from companies consolidated at equity	10	11

More information is provided in note 16 "Shares in companies consolidated at equity".
→ 139 Shares in companies consolidated at equity

8 Financial result

in € million	2020	2019
Other interest and similar income		
Other (mainly banks)	1	1
Interest income	**1**	**1**
Interest and similar expenses		
Other (mainly banks)	–5	–3
from leases	–1	–1
Pension obligations		
Interest expense	–2	–3
Interest income from plan assets	2	2
Interest expenses	**6**	**5**
Financial result	**–5**	**–4**

9 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	2020	2019
Current taxes	87	91
thereof Germany	42	44
thereof international	45	47
Deferred taxes	0	–2
thereof Germany	–1	–2
thereof international	1	0
Total	**87**	**89**

Current taxes comprise €0 million (0) 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	2020	in %	2019	in %
Earnings before tax (EBT)	308		317	
Expected tax expense	**95**	**30.9**	**98**	**31.0**
Taxation rate differences	–13	–4.3	–13	–4.1
Non-deductible expenses	3	1.0	4	1.2
Tax-free income	–2	–0.7	0	0.0
Income from companies consolidated at equity	–3	–1.0	–3	–1.0
Taxes for prior periods	–1	–0.3	–2	–0.6
Withholding taxes	4	1.3	3	1.0
Other	4	1.3	2	0.6
Reported tax expense	**87**	**28.2**	**89**	**28.1**

The reported tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 28.2 % (28.1). The Group's tax rate adjusted for income from companies consolidated at equity is 29.2 % (29.1).

10 Non-controlling interests

Profits attributable to non-controlling interests of €1 million (0) relate to shareholders in Austria, Chile, France, and Greece.

11 Earnings per share

in € million	2020	2019
Profit attributable to shareholders of FUCHS PETROLUB SE	**220**	**228**
Earnings per ordinary share in €		
Earnings per share	1.58	1.63
Weighted average number of ordinary shares	69,500,000	69,500,000
Earnings per preference share in €		
Earnings per share	1.59	1.64
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.

12 Other taxes

The reported figure of €7 million (7) relates to non-income taxes, which are included in the operating function costs. €5 million (5) of this amount is attributable to foreign Group companies in Argentina, China, France, Great Britain, and the USA.

13 Staff costs / employees

Staff costs

in € million	2020	2019
Wages and salaries	320	314
Social security contributions and expenses for pensions and similar obligations	61	62
thereof for pensions	11	10
	381	**376**

Staff costs of €97 million (92) are attributable to cost of sales, €171 million (172) to selling and distribution expenses, €79 million (77) to administrative expenses and €34 million (35) to research and development expenses.

The FUCHS Group received support in many countries to cushion the impact of the Covid-19 pandemic in a total amount of €10 million (0) in the past financial year.

For ordinary shares with a value of €0.5 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	2020	2019
EMEA	3,820	3,804
Asia-Pacific	935	931
North and South America	894	712
Holding companies	137	126
Number of employees	**5,786**	**5,573**
thereof trainees	**122**	**136**

The average number of employees includes trainees.

Notes to the balance sheet

14 Goodwill and other intangible assets

Development of goodwill and other intangible assets in 2020

in € million	Goodwill	Miscellaneous intangible assets	Advance payments on intangible assets	Total other intangible assets
Acquisition and manufacturing costs (gross)				
Dec 31, 2019	201	229	1	230
Currency exchange differences	–15	–7	0	–7
Additions from acquisitions	76	46	0	46
Additions	0	2	1	3
Disposals	0	–1	0	–1
Reclassifications	0	0	0	0
Dec 31, 2020	262	269	2	271
Accumulated amortization				
Dec 31, 2019	26	136	0	136
Currency exchange differences	0	–3	0	–3
Scheduled amortization and depreciation	0	22	0	22
Impairment losses	0	0	0	0
Disposals	0	–1	0	–1
Reclassifications	0	0	0	0
Dec 31, 2020	26	154	0	154
Net value as of Dec 31, 2020	**236**	**115**	**2**	**117**

For information on the additions from acquisitions, please refer to the section on acquisitions.

→ 114 Acquisitions

Development of goodwill and other intangible assets in 2019

in € million	Goodwill	Miscellaneous intangible assets	Advance payments on intangible assets	Total other intangible assets
Acquisition and manufacturing costs (gross)				
Dec 31, 2018	194	224	0	224
Currency exchange differences	2	0	0	0
Additions from acquisitions	5	5	0	5
Additions	0	2	1	3
Disposals	0	−2	0	−2
Reclassifications	0	0	0	0
Dec 31, 2019	201	229	1	230
Accumulated amortization				
Dec 31, 2018	20	119	0	119
Currency exchange differences	0	0	0	0
Scheduled amortization and depreciation	0	19	0	19
Impairment losses	6	0	0	0
Disposals	0	−2	0	−2
Reclassifications	0	0	0	0
Dec 31, 2019	26	136	0	136
Net value as of Dec 31, 2019	**175**	**93**	**1**	**94**

Goodwill of the cash-generating units

Overview of the goodwill

in € million	2020	2019
North America	154	90
Germany and Benelux	48	48
Other six goodwill-carrying units	34	37
Goodwill	**236**	**175**

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 net assets of the cash-generating unit or group of cash-generating units, including assigned goodwill, exceeds the recoverable amount. In the FUCHS Group, goodwill is managed by a regional management team. 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 mid-term planning, which consists of the budget plan for 2021 and generally the planning years 2022 to 2025, 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 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.

As a result of the worldwide decline in demand, the Covid-19 pandemic had a negative impact on the FUCHS Group's results of operations in the financial year 2020. Due to a strong fourth quarter, the decline in sales revenues and earnings was less significant than had been expected at the start of the fourth quarter. The Executive Board currently expects the pandemic to be a temporary event that will not have a sustained negative impact on the FUCHS Group's long-term business development.

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 North America (USA subgroup) and for Germany and Benelux 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 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). When determining the value in use of the cash-generating units, discount rates of 6.5 % (7) to 12 % (13) after taxes were applied, taking into account country-specific risks. Discount rates before tax range from 8 % (9) to 16.5 % (18). A weighted cost of capital of 7.5 % (8) and 6.5 % (7) after taxes or 9.5 % (11) and 9.5 % (10) before taxes was taken into account in the impairment tests performed for North America and for Germany and Benelux.

In the financial year 2020, there were no (previous year: €6 million) impairment losses on goodwill.

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. Based on these sensitivity calculations, additional impairment of €3 million would have had to be recognized on the goodwill of €5 million only at the goodwill-carrying unit in South Africa and only in the case of a 20 % reduction in future cash flows. The recoverable amount for South Africa would correspond to the carrying amount if future cash flows were reduced by 13 %.

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 six years have a residual book value of around €87 million (61). Their remaining useful life is generally between 5 and 10 years (between 6 and 9 years).

Other intangible assets also comprise advance payments of €2 million (1).

15 Property, plant and equipment

Additions in 2020 are essentially related to the locations in Germany, USA, China and Sweden.

Development of property, plant and equipment in 2020

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, 2019	372	418	174	115	1,079
Currency exchange differences	–14	–16	–5	–4	–39
Additions from acquisitions	5	2	1	0	8
Additions	18	25	14	67	124
Adjustment for hyperinflation	0	0	0	0	0
Disposals	–4	–7	–5	0	–16
Reclassifications	45	27	1	–73	0
Dec 31, 2020	422	449	180	105	1,156
Accumulated amortization					
Dec 31, 2019	106	214	112	0	432
Currency exchange differences	–5	–10	–3	0	–18
Scheduled amortization	16	25	17	0	58
Impairment losses	0	0	0	0	0
Adjustment for hyperinflation	0	0	0	0	0
Disposals	–4	–7	–5	0	–16
Reclassifications	0	0	0	0	0
Dec 31, 2020	113	222	121	0	456
Net value as of Dec 31, 2020	**309**	**227**	**59**	**105**	**700**

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**

Leases

The division between owned and leased property, plant and equipment is as follows:

Division between owned and leased property, plant and equipment as of December 31, 2020

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	296	227	52	105	680
Leased property, plant and equipment	13	0	7	0	20
Carrying amount as of Dec 31, 2020	**309**	**227**	**59**	**105**	**700**

Division between owned and leased property, plant and equipment as of December 31, 2019

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 as of 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 January 1, 2019	**17**	**0**	**7**	**0**	**24**
Additions	4	0	3	0	7
Depreciation and amortization	–5	0	–3	0	–8
Other changes	1	0	0	0	1
Carrying amount as of Dec 31, 2019	**17**	**0**	**7**	**0**	**24**
Additions	1	0	4	0	5
Depreciation and amortization	–5	0	–4	0	–9
Carrying amount as of Dec 31, 2020	**13**	**0**	**7**	**0**	**20**

The breakdown of discounted and non-discounted lease liabilities by maturity is shown in the following table:

Discounted and non-discounted lease liabilities

	Discounted lease liabilities		Non-discounted lease liabilities	
in € million	**2020**	2019	**2020**	2019
Due within one year	6	8	6	8
Due after between one and five years	10	11	11	12
Due after more than five years	1	3	2	3
Total	**17**	**22**	**19**	**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	2020	2019
Depreciation and amortization	9	8
Interest expenses	1	1
Short-term leases with a term of up to 12 months	5	6
Low-value leases	0	0
Other expenses that were not included in the lease liability	0	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	2020	2019
Depreciation and amortization	9	8
Repayment of financial liabilities from leases	8	8
Interest expenses	1	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.

16 Shares in companies consolidated at equity

This item is made up of eight (five) 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, 2020, 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 39 for information on the composition of joint ventures and associates. → 165 Shareholdings

The following table shows the development of shares in companies consolidated at equity:

Shares in companies consolidated at equity

in € million	2020	2019
Carrying amount of shares in companies consolidated at equity on January 1	**47**	**38**
Additions from acquisitions	9	0
Pro rata earnings after tax	10	11
Pro rata dividends received	–4	–2
Pro rata other comprehensive income	–9	0
Carrying amount of shares in companies consolidated at equity on December 31	**53**	**47**

The additions from acquisitions relate to the acquisition of 50 % shares in three joint ventures based in Zimbabwe, Zambia, and Mozambique, Africa. For further information, please refer to note → 114 Acquisitions

The following table shows the breakdown of the income from companies consolidated at equity:

Income from companies consolidated at equity

in € million	2020	2019
Pro rata earnings after tax	10	11
Income from companies consolidated at equity	**10**	**11**

The following table shows summarized earnings data and the carrying amount for the six (previous year: one) immaterial joint ventures:

Carrying amount and summarized earnings of the joint venture

in € million	2020	2019 LFL*	2019
Carrying amount of joint ventures accounted for using the equity method	**40**	**32**	**21**
Earnings after tax	14	12	6
Pro rata earnings after tax	7	6	3
Pro rata other comprehensive income	–7	–2	–2
Pro rata comprehensive income after tax	**0**	**4**	**1**

* 2019 like-for-like. In 2020, two joint ventures were reclassified from associates to joint ventures as a result of voting right restrictions no longer applying. The previous year's figures were presented on a like-for-like basis.

The following table shows a summary of earnings and the carrying amount for the two (previous year: four) associates, which are immaterial when taken separately:

Carrying amount and summarized earnings of associates

in € million	2020	2019 LFL*	2019
Carrying amount of associates accounted for using the equity method	**13**	**15**	**26**
Earnings after tax	13	17	23
Pro rata earnings after tax	3	5	8
Pro rata other comprehensive income	–2	2	2
Pro rata comprehensive income after tax	**1**	**7**	**10**

* 2019 like-for-like. In 2020, two joint ventures were reclassified from associates to joint ventures as a result of voting right restrictions no longer applying. The previous year's figures were presented on a like-for-like basis.

17 Other financial assets

in € million	2020	2019
Investments in companies	7	7
Other loans	0	1
	7	**8**

One non-listed investment is measured at fair value using a discounted cash flow method in line with IFRS 9.

In accordance with their financing nature, the non-current portion of the receivables relating to delivery agreements in France of €0 million (1) is reported in other loans.

18 Deferred tax assets and liabilities

The recognized deferred taxes result from the following measurement differences and items:

Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
in € million	2020	2019	2020	2019
Property, plant and equipment	2	2	28	23
Other non-current assets	3	4	25	22
Inventories	13	13	0	0
Other current assets	4	4	2	3
Non-current provisions	16	13	0	1
Other non-current liabilities	4	3	5	5
Current provisions and liabilities	11	13	2	1
Expected use of losses carried forward	0	0	0	0
Total deferred tax assets / liabilities	**53**	**52**	**62**	**55**
Tax offset	–21	–23	–21	–23
Total assets / liabilities	**32**	**29**	**41**	**32**

The total amount of deferred tax assets of €32 million (29) is essentially attributable to measurement differences between the items of inventories (elimination of intercompany profits), other current assets, non-current provisions (mainly pension obligations), current provisions, and current and non-current liabilities in the IFRS balance sheet and their tax base. The deferred tax liabilities of €41 million (32) 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 non-current assets at fair value pursuant to IFRS within the scope of acquisitions, for which the values in the tax balance sheet differ. Deferred tax liabilities on property, plant and equipment and deferred tax assets on current and non-current liabilities result 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 €6 million (5). €6 million (4) thereof is attributable to the EMEA region (excluding Germany), while €0 million (1) is attributable to the Asia-Pacific region. The deferred tax assets of €1 million (1) recognized for this were subject to impairment losses of €0 million (1).

A deferred tax liability of €5 million (5) 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 (22) 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 €–6 million (5) in the year under review. Taking into account deferred taxes for the financial year 2020, which are recognized outside profit or loss and result in the amount of €2 million (3) from the allocation of pension obligations and in the amount of €–10 million from the first-time consolidation of NYE LUBRICANTS, income from deferred taxes of €0 million (–2) was reported in the income statement after allowing for currency effects.

19 Inventories

The reported inventories comprise the following:

Composition of inventories

in € million	Dec 31, 2020	Dec 31, 2019
Raw materials and supplies	143	148
Work in progress	18	22
Finished goods and merchandise	198	211
	359	**381**

There were changes of €–2 million (5) in the year under review due to reduced saleability. At the end of the reporting period, the residual carrying amount of inventories that were written down amounted to €5 million (7).

20 Trade receivables

Composition of receivables

in € million	Dec 31, 2020	Dec 31, 2019
Receivables due from customers	364	379
Receivables due from joint ventures and associates	5	2
	369	**381**

Write-downs of trade receivables, which consist of expected credit losses and individual allowances, developed as follows:

Development of impairments

in € million	2020	2019
Impairments as of December 31 (previous year)	**14**	**11**
Currency exchange differences	0	0
Additions	5	5
Utilization	–2	–1
Reversals	–5	–1
Impairments as of December 31	**12**	**14**

The following tables provide information on the extent of credit risks in the trade receivables as of December 31, 2020, and December 31, 2019:

Receivables by maturity as of December 31, 2020

in € million	EMEA	Asia-Pacific	North and South America	FUCHS Group
Not yet due	166	110	45	321
Overdue:				
less than 30 days	21	7	9	37
30 to 90 days	7	1	3	11
91 to 180 days	2	1	0	3
181 to 360 days	2	1	0	3
more than 360 days	4	1	1	6
Total gross receivables	**202**	**121**	**58**	**381**
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	–5	–2	–2	–9
Trade receivables	**195**	**118**	**56**	**369**

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 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.

21 Current tax receivables (income tax)

This item comprises tax refund claims which are mainly attributable to Australian, German, Italian, Swedish, and US income taxes.

22 Other receivables and other assets

Other current receivables and assets

in € million	Dec 31, 2020	Dec 31, 2019
Other taxes	9	15
Miscellaneous other assets	21	17
	30	**32**

At €8 million (11), other taxes mainly include VAT receivables.

The Group’s miscellaneous 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 €3 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).

23 Cash and cash equivalents

Cash and cash equivalents of €209 million (219) comprise bank deposits, cash in hand, checks and bills of exchange not yet presented, and securities of €38 million (32) with a maturity of less than three months.

24 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, 2020	Dec 31, 2019
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 2021 Annual General Meeting: €0.98 per ordinary share entitled to dividend payments and €0.99 per preference share entitled to dividend payments. Dividends of €0.96 per ordinary share and €0.97 per preference share were paid in 2020.

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.

25 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.

→ 108 Statement of changes in equity

In Germany, measurement is based on the following assumptions:

Valuation assumptions Germany

in %	2020	2019
Discount rate	0.4	1.0
Salary trend	2.3	2.5
Pension trend	1.3	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 %	2020	2019
Discount rate	from 0.0 to 7.3	from 0.4 to 8.0
Average discount rate	1.4	1.9
Salary trend	from 0.5 to 9.0	from 1.0 to 9.0
Average salary level trend	2.1	2.0
Pension trend	from 1.7 to 6.8	from 1.5 to 6.5
Average pension level trend	2.9	2.9

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, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Present value of benefit obligations financed by funds in Germany	86	82	73	74	79
Present value of benefit obligations financed by funds outside Germany	66	64	52	54	54
Present value of benefit obligations financed by provisions in Germany	1	1	1	1	1
Present value of benefit obligations financed by provisions outside Germany	9	7	6	7	6
Total defined benefit obligations	**162**	**154**	**132**	**136**	**140**
Fair value of plan assets in Germany	62	61	63	64	63
Fair value of plan assets outside Germany	58	58	45	47	43
Funding status	**42**	**35**	**24**	**25**	**34**
Similar obligations	1	1	1	1	1
Net obligation as of December 31	43	36	25	26	35
Disclosures in the balance sheet:					
Pension provision	**43**	**36**	**25**	**26**	**35**

The key pension plan provisions are described below:

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, 2020, pension obligations amounted to €7 million (7), which were offset against assets of €6 million (6) 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.

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 specifics 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	2020	2019
Present value as of January 1	154	132
Currency effects	–5	3
Current service cost	4	3
Interest expense	2	3
Remeasurements		
Actuarial losses due to financial assumptions	14	17
Actuarial losses (previous year: gains) due to demographic assumptions	0	–1
Actuarial losses from experience adjustments	0	1
Benefits paid	–7	–5
Past service cost (previous year: Germany)	0	1
Present value as of December 31	**162**	**154**
Netting with plan assets	120	119
Funding status	**42**	**35**
Similar obligations	1	1
Pension provisions as of December 31	**43**	**36**

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, 2020 (December 31, 2019):

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 (−6)	−6 (−6)	−12 (−12)
Decrease by 0.5 percentage points	7 (7)	6 (6)	13 (13)
Change in anticipated wage/salary developments			
Increase by 0.25 percentage points	0 (0)	0 (1)	0 (1)
Decrease by 0.25 percentage points	0 (0)	0 (−1)	0 (−1)
Change in anticipated pension developments			
Increase by 0.25 percentage points	3 (2)	1 (2)	4 (4)
Decrease by 0.25 percentage points	−3 (−3)	−1 (−1)	−4 (−4)

As of December 31, 2020, the weighted average term of defined benefit obligations was 15 years (15) for plans in Germany and 19 years (18) 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 (4); €2 million (2) thereof is attributable to plans in Germany and €2 million (2) to plans outside Germany.

Plan assets developed as follows:

Development of plan assets

in € million	2020	2019
Fair value as of January 1	119	108
Currency effects	−4	3
Interest income from plan assets	2	2
Current contributions	4	5
Benefits paid	−7	−5
Remeasurements		
Actuarial gains due to financial assumptions	7	6
Actuarial losses from experience adjustments	−1	0
Fair value as of December 31	**120**	**119**

Net pension provisions developed as follows:

Development of net pension provisions

in € million	2020	2019
Net pension provisions as of January 1	35	24
Currency effects	−1	0
Current service cost	4	3
Interest expense	2	3
Interest income from plan assets	−2	−2
Current contributions	−4	−5
Remeasurements		
Actuarial losses from pension obligations	14	17
Actuarial gains from plan assets	−6	−6
Benefits paid	0	0
Past service cost (previous year: Germany)	0	1
Net provisions as of December 31	**42**	**35**
Similar obligations	1	1
Pension provisions as of December 31	**43**	**36**

The fair value of the plan assets is spread over the following asset classes:

German plan assets are financed only with insurance policies provided by ALLIANZ Lebensversicherung. The return on plan assets for the year 2020 was based on the discount rate of 1.0 % (1.9). The actual return on plan assets calculated was 4.2 % (1.4). 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 2.0 % (2.8). The actual return on plan assets averaged 9.2 % (18).

Total current contributions of €5 million (4) are budgeted for 2021 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

	December 31, 2020			December 31, 2019		
in € million	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	0	62	62	0	61	61
Equity instruments	48	0	48	47	0	47
Debt instruments	10	0	10	10	0	10
Cash and cash equivalents	0	0	0	0	1	1
Fair value of plan assets	**58**	**62**	**120**	**57**	**62**	**119**

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 % (51) 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 % (40) of plan assets are invested in equity instruments, while a further 9 % (8) are invested in debt instruments and 0 % (1) 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 (18) and are made up of the following components:

Total pension expenses

in € million	2020	2019
Current service cost	4	3
Past service cost	0	1
Interest expense	2	3
Interest income from plan assets	–2	–2
Expenses for defined benefit pension plans	**4**	**5**
Expenses for defined contribution pension plans	14	13
Total pension expenses	**18**	**18**

The net interest expenses from defined pension obligations amounting to €0 million (1) are the balance resulting from interest expenses of €2 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 €8 million (9), the share of pension contributions paid by the employer in Germany has been included in defined contribution pension plans.

26 Trade payables

in € million	Dec 31, 2020	Dec 31, 2019
Trade payables	196	194
Customer discounts (credit notes and bonuses)	18	14
Bills payable	3	1
Advance payments received	16	10
	233	**219**

27 Other provisions

Current provisions

Current provisions mainly consist of the following:

Current provisions

in € million	Dec 31, 2020	Dec 31, 2019
Environmental obligations	0	6
Warranty	0	1
Costs for preparing the annual financial statements	1	1
Restructuring and redundancy payments	3	2
Compensation of the Supervisory Board	1	1
Transaction tax risks	4	5
Other obligations	9	8
	18	**24**

The current provisions are detailed below:

Development of current provisions

in € million	Dec 31, 2019	Reclassifications	Exchange rate differences	Additions	Utilization	Reversals	Dec 31, 2020
Environmental obligations	6	–6	0	0	0	0	0
Warranty	1	0	0	0	0	1	0
Costs for preparing the annual financial statements	1	0	0	1	1	0	1
Restructuring and redundancy payments	2	0	0	2	1	0	3
Compensation of the Supervisory Board	1	0	0	1	1	0	1
Transaction tax risks	5	0	–1	0	0	0	4
Other obligations	8	0	–1	8	6	0	9
	24	**–6**	**–2**	**12**	**9**	**1**	**18**

The provisions for restructuring and redundancy payments particularly contain redundancy payments for employees leaving the company.

The reclassification relates to the reallocation of provisions for environmental obligations to other non-current provisions. Based on past experience, significant utilization is expected after one year at the earliest.

Other obligations also include provisions for legal and litigation costs.

Due to the short-term nature of these provisions, no interest has been accrued.

Other non-current provisions

The provisions for environmental obligations focus on rehabilitation work at contaminated sites and cover costs associated with the elimination of soil contamination.

Other non-current provisions also include non-current provisions resulting from employee benefit obligations, such as anniversary bonuses.

Development of non-current provisions

in € million	Dec 31, 2019	Reclassifications	Exchange rate differences	Additions	Utilization	Reversals	Dec 31, 2020
Environmental obligations	0	6	0	1	1	0	6
Other non-current provisions	5	0	0	0	0	0	5
	5	6	0	1	1	0	11

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 €11 million (10) are netted against the corresponding fair value of assets of €11 million (10) (acquisition costs of €11 million – previous year: €10 million). In the income statement, expenses and income of €1 million (1) each were offset against each other.

28 Current tax liabilities

This item includes total liabilities for income taxes of €40 million (27). The year-on-year increase is mainly attributable to the rise in income tax liabilities as a result of reduced advance payments in Germany.

29 Financial liabilities

Non-current financial liabilities

Non-current financial liabilities consist of liabilities from leases with a remaining term of more than one year and interest-bearing liabilities to banks with a remaining term of between one and five years.

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.

30 Other liabilities

Other current liabilities

Other liabilities are attributable to:

Other current liabilities

in € million	Dec 31, 2020	Dec 31, 2019
Obligations for personnel and social expenses	45	45
VAT liabilities	14	7
Other tax liabilities	9	9
Social security	5	6
Fair value of derivative financial instruments	4	1
Liabilities due to associates	0	0
Other liabilities	27	23
	104	91

The obligations for personnel and social expenses mainly relate to ex gratia payments, profit-sharing schemes, commissions, bonuses, outstanding holiday and overtime, 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. In addition, this item also includes commission obligations, customers with credit balances, and advance payments, as well as a contingent current purchase price liability in connection with the acquisition of NYE LUBRICANTS INC., USA.

Other non-current liabilities

A large portion of other non-current liabilities relates to contingent purchase price liabilities in connection with the acquisition of NYE LUBRICANTS INC., USA, which are not due until 2022. In addition, this item includes 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.

31 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 €5 million (10) 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 €0 million (1).

Contractual obligations for the purchase of property, plant and equipment amounted to €31 million (64) as of December 31, 2020. With the completion of several construction projects in the past year, these decreased by €33 million compared to the previous reporting date. A total of €14 million, representing almost half of the existing investment obligations, was attributable to German companies. In addition, there were fairly high obligations for our companies in Belgium and China, also for various individual projects.

32 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, 2020:

Carrying amounts and categories of financial instruments (in € million)

Balance sheet items	Dec 31, 2020	Dec 31, 2019	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	5	Amortized cost
Trade receivables	369	381	Amortized cost
Derivative financial instruments	3	0	Fair value through the income statement
Cash and cash equivalents	209	219	Amortized cost
Total of financial assets	**594**	**613**	
Financial liabilities from leases[2]	17	22	Amortized cost
Financial liabilities to banks[2]	13	4	Amortized cost
Trade payables	217	210	Amortized cost
Derivative financial instruments[3]	4	1	Fair value through the income statement
Contingent consideration[3]	25	0	Fair value through the income statement
Other liabilities[3]	11	12	Amortized cost
Total of financial liabilities	**287**	**249**	

[1] Shown in other financial assets.
[2] Current and non-current.
[3] Included in other liabilities (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 assets measured at cost include 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	2020	2019
Financial assets and financial liabilities at fair value through profit and loss	–1	–1
Financial assets measured at cost	–2	–6
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	2020	2019
Total interest income	1	1
Total interest expenses	–5	–3

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 derivate 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.

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.

Nominal values of derivate financial instruments for hedging currency risks

	December 31, 2020				December 31, 2019			
in € million	Up to 1 year	1–5 years	More than 5 years	**Total**	Up to 1 year	1–5 years	More than 5 years	Total
Forward currency transactions	161	0	0	161	88	0	0	88
Nominal volume of derivatives	**161**	**0**	**0**	**161**	**88**	**0**	**0**	**88**

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

	2020
AUD/EUR	1.646
GBP/EUR	0.921
HRK/EUR	7.578
HUF/EUR	366.414
PLN/EUR	4.493
RON/EUR	4.910
RUB/EUR	88.964
SEK/EUR	10.620
USD/EUR	1.170
ZAR/EUR	18.519

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, 2020

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in share-holders' equity
Forward currency transactions	161	–1	0	0
Total derivates	**161**	**–1**	**0**	**0**

Fair value as of December 31, 2019

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in share-holders' equity
Forward currency transactions	88	–1	–1	0
Total derivates	**88**	**–1**	**–1**	**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. The two-person principle ensures 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. The fair value of contingent consideration was determined based on the anticipated earnings figures of an acquisition (earnings before interest, taxes, depreciation, and amortization) up to and including 2021. The valuation model is assigned to Level 3 in the fair value hierarchy. If anticipated earnings before interest, taxes, depreciation, and amortization had been 10% higher/lower, this would have increased/reduced the fair value of the contingent consideration by €4 million.

For further information, please refer to the notes on "Significant discretionary decisions, estimates and assumptions" and "Acquisitions".
→ 118 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 (7) were secured.

Bad debt allowances are recorded for the remaining credit risks as soon as they exceed certain limits. Please refer to note 20 for further information.
→ 141 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 risk of default by contracting parties (credit risk) is minimized.

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 €3 million (4) in lines of credit already utilized, the Group also had access to other free lines of credit of €178 million (190). 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, 2020, affect the Group's liquidity situation (non-discounted):

Maturities of contractual cash flows from financial liabilities as of December 31, 2020

in € million	Total	2021	≥ 2022
Financial liabilities from leases	17	6	11
Financial liabilities to banks	13	8	5
Derivative financial instruments	4	4	0
Trade payables (without advances received)	217	217	0
Contingent consideration	25	7	18
Other financial liabilities	11	11	0
Total	**287**	**253**	**34**

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**

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 €209 million (219) and €178 million (190) in free lines of credit. In addition, the Group has current trade receivables of €369 million (381) 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 25.
→ 144 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 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 intra-Group 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 Asia-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 agreement

in € million	Effective interest rate	Fixed interest period	**Carrying amount as of Dec 31, 2020**	Carrying amount as of Dec 31, 2019
Brazilian real	Variable interest rate	< 1 year	3	2
Indian rupee	Variable interest rate	< 1 year	0	1
Polish zloty	Variable interest rate	< 1 year	0	1
Euro	Fixed interest rate	< 1 year	5	0
Euro	Fixed interest rate	>1 year	5	0
			13	**4**

Summary of interest rate hedging periods

Interest rate hedging periods

in € million	2020	in %	2019	in %
Up to 1 year	8	62	4	100
1 to 5 years	5	38	0	0
More than 5 years	0	0	0	0
	13	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, 2020, 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 €5 million (4).

Further notes to the consolidated financial statements

33 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			
	Balance sheet disclosures as of Dec 31, 2019 (Dec 31, 2018)	In cash flow from financing activities	Acquisitions/ changes in the scope of consolidation	Currency effects	Changes due to IFRS 16	**Balance sheet disclosures as of Dec 31, 2020 (Dec 31, 2019)**
Financial liabilities	26 (4)	1 (–8)	0 (0)	–1 (0)	4 (30)	**30 (26)**

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.

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.

34 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 and sub-regions are allocated to the segments according to the regions in which they are located.

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	2020	2019
Sales revenues		
Companies in Germany	540	611
Companies in North America (mainly in the USA)	349	366
Companies in China	440	446
Other companies	1,049	1,149
Total	**2,378**	**2,572**
Non-current assets (intangible assets and property, plant and equipment)		
Goodwill		
Companies in Germany	48	48
Companies in North America (mainly in the USA)	154	90
Other companies	34	37
Total	**236**	**175**
Other intangible assets and property, plant and equipment		
Companies in Germany	290	271
Companies in North America (mainly in the USA)	169	135
Companies in China	71	62
Other companies	287	273
Total	**817**	**741**

The overall development of segments is described on page 110 and shows the figures for the year under review and the corresponding figures of the previous year.
→ 110 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	2020	2019
Holding companies		
Sales revenues by customer location	0	0
Sales revenues by company location	0	0
Scheduled amortization and depreciation	1	1
EBIT before income from companies consolidated at equity	5	10
Segment earnings (EBIT)	5	10
Additions to property, plant and equipment and other intangible assets	12	4
Consolidations		
Sales revenues by customer location	0	0
Sales revenues by company location	–153	–143
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 other intangible assets	0	0

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	2020	2019
Total segment earnings (EBIT)	313	321
Financial result	–5	–4
Income taxes	–87	–89
Consolidated earnings after tax	**221**	**228**

Segment reporting also contains investments in other 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. → 126 Sales revenues

35 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,

- 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, 2020, the FUCHS Group has receivables of €5 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 2020 to companies consolidated at equity was €21 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:

Executive Board remuneration

in €thousand	2020	2019
Short-term benefits	4,880	4,728
Post-employment benefits	1,166	940
Other long-term benefits	2,093	1,842
Total compensation	**8,139**	**7,510**

Compensation for members of the Supervisory Board totaled €711 thousand (723) and is recognized in other current provisions. The staff representatives of the Supervisory Board were granted €0.2 million (0.4) 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 36 and the compensation report included in the combined management report of FUCHS PETROLUB SE.
→ 162 Executive bodies
→ 79 Compensation report

For more information on pension plans, please refer to note 25. → 144 Pension provisions

A dependent company report has been prepared on relationships with related parties pursuant to Section 312 of the German Stock Corporation Act (Aktiengesetz – 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.

36 Executive bodies

Supervisory Board

Dr. Kurt Bock
Former Chairman of the Board of Executive Directors of BASF SE
First appointment: 2019
Mandate ends: 2025

Chairman (since May 7, 2019)
Supervisory Board mandates:
- BASF SE, Chairman (since June 18, 2020)
- Bayerische Motorenwerke AG
- Fresenius Management SE (until June 30, 2020)
- Münchener Rückversicherungs-Gesellschaft AG (until April 29, 2020)

Dr. Susanne Fuchs
Entrepreneur
First appointment: 2017
Mandate ends: 2025

Deputy Chairwoman (since May 5, 2020)

Dr. Erhard Schipporeit
Independent Corporate Consultant
First appointment: 2008
Mandate ends: May 5, 2020

Deputy Chairman (until May 5, 2020)
Supervisory Board mandates:
- BDO AG Wirtschaftsprüfungsgesellschaft
- Hannover Rück SE
- HDI Haftpflichtverband der Deutschen Industrie V.a.G.
- RWE Aktiengesellschaft
- Talanx Aktiengesellschaft

Jens Lehfeldt
Chairman of the Joint Works Council of FUCHS SCHMIERSTOFFE GMBH
Chairman of the SE Works Council
First appointment: 2019
Mandate ends: 2025

Member
(Employee representative)

Dr. Christoph Loos
Chairman of the Group Management of Hilti AG
First appointment: 2020
Mandate ends: 2025

Member (since May 5, 2020)

Ingeborg Neumann
Managing Partner, Peppermint Holding GmbH
First appointment: 2015
Mandate ends: 2025

Member
Supervisory Board mandates:
- Scienion AG (until September 1, 2020)
- SGL Carbon SE

Comparable supervisory committees:
- Berliner Wasserbetriebe AöR

Lars-Eric Reinert
Vice President of Operations, FUCHS LUBRICANTS CO.
First appointment: 2008
Mandate ends: May 5, 2020

Member (until May 5, 2020)
(Employee representative)

Cornelia Stahlschmidt
Chairwoman of the Works Council and representative for disabled persons at FUCHS LUBRITECH GmbH
Member of the SE Works Council
First appointment: 2020
Mandate ends: 2025

Member (since May 5, 2020)
(Employee representative)

Executive Board

Stefan Fuchs
First appointment: 1999
(Chairman since 2004)
Mandate ends: 2026
24 years at FUCHS

Chairman of the Executive Board
Areas of responsibility:
Corporate Group Development, Human Resources, Public Relations and Marketing, Strategy, Automotive Aftermarket Division

Supervisory Board mandate:
- TRUMPF GmbH + Co. KG

Dr. Lutz Lindemann
First appointment: 2009
Mandate ends: 2023
22 years at FUCHS

Member of the Executive Board; Chief Technical Officer
Areas of responsibility:
Research & Development, Technology, Product Management, Supply Chain, Sustainability, EH&S, Mining Division, OEM Division

Dr. Timo Reister
First appointment: 2016
Mandate ends: 2023
11 years at FUCHS

Member of the Executive Board
Areas of responsibility:
East Asia, Australasia, North and South America, Industry Division

Dr. Ralph Rheinboldt
First appointment: 2009
Mandate ends: 2023
22 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
8 years at FUCHS

Member of the Executive Board; Chief Financial Officer
Areas of responsibility:
Finance, Controlling, Investor Relations, Compliance, Internal Audit, Digitalization (IT, ERP systems, big data, etc.), 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	2020	2019
Compensation of the Executive Board	**6,973**	**6,570**
thereof fixed compensation	3,170	2,887
thereof variable compensation	3,803	3,683
Pension expenses for pension commitments to active members of the Executive Board	1,166	940
Pension obligations	19,313	16,327
Plan assets	8,656	7,442
Balance of pension obligations and plan assets	10,657	8,885
Former members of the Executive Board		
Total compensation of former board members	571	566
Pension obligations	12,615	12,321
Plan assets	9,007	8,962
Balance of pension obligations and plan assets	3,608	3,359

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 €726 thousand (540) and expenses for defined contribution plans of €440 thousand (400).

Compensation for members of the Supervisory Board

Compensation for members of the Supervisory Board totaled €711 thousand (723).

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.

37 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 78 and is available on the company's website at
→ www.fuchs.com/decl_of_compl

38 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 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft worldwide:

Fees and service of the auditor

in € million	2020	2019
Audit fees	1.7	1.7
Audit-related fees	0.1	0.0
Tax fees	0.1	0.1
All other fees	0.1	0.1
Total	**2.0**	**1.9**

Of this, fees of €0.4 million (0.4) were expensed for services relating to audits of financial statements in Germany for PricewaterhouseCoopers 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.

In addition, an amount of €0.0 million (0.0) was spent in Germany for PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for other assurance services in the context of certifications, €0.0 million (0.0) for tax advisory services, and €0.1 million (0.0) for other services providing support in connection with reporting requirements such as the electronic reporting format ESEF.

39 Shareholding in accordance with Section 315e in conjunction with Section 313 (2) of the German Commercial Code (HGB)

As of December 31, 2020

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues in 2020[2]	Consolidation[3]
I. AFFILIATED COMPANIES				
GERMANY				
BREMER & LEGUIL GMBH, Duisburg[4]	100	0	34	F
FUCHS FINANZSERVICE GMBH, Mannheim[4]	100	91	0	F
FUCHS LUBRITECH GMBH, Kaiserslautern[4]	100	5	130	F
FUCHS SCHMIERSTOFFE GMBH, Mannheim[4]	100	95	638	F
FUCHS WISURA GMBH, Bremen[4]	100	1	15	F
PARAFLUID GMBH, Hamburg[4]	100	1	14	F
inoviga GmbH, Mannheim[4]	100	0	0	F
EMEA (EXCLUDING GERMANY)				
FUCHS LUBRICANTS BENELUX N.V./S.A., Huizingen, Belgium	100	16	33	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	8	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre, France	99.7	19	97	F
FUCHS LUBRITECH S.A.S. Ensisheim, France	100	3	10	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	52	134	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	22	70	F
FUCHS MAZIVA D.O.O., Samobor, Croatia	100	2	6	F

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues in 2020[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	8	21	F
FUCHS AUSTRIA SCHMIERSTOFFE GMBH, Thalgau, Austria	70	3	20	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gleiwitz, Poland	100	45	102	F
FUCHS LUBRIFICANTES UNIPESSOAL LDA., Moreira-Maia, Portugal	100	3	10	F
FUCHS LUBRICANTS SRL, Bucharest, Romania	100	1	6	F
OOO FUCHS OIL, Moscow, Russia	100	24	45	F
FUCHS LUBRICANTS SWEDEN AB, Stockholm, Sweden (subgroup)	100	21	79	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	8	F
FUCHS MAZIVA LSL D.O.O., Krško, Slovenia	100	1	3	F
FUCHS LUBRICANTES S.A.U., Castellbisbal, Spain	100	25	53	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Říčany, Czech Republic	100	4	12	F
TOV FUCHS MASTYLA UKRAINA, Lviv, Ukraine	100	4	15	F
FUCHS OIL HUNGÁRIA KFT, Budaörs, Hungary	100	2	9	F
FUCHS LUBRICANTS SOUTH AFRICA (PTY.) LTD., Johannesburg, South Africa	74.9	8	67	F
FUCHS SOUTHERN AFRICA (PTY.) LTD., Johannesburg, South Africa	100	34	21	F
ASIA-PACIFIC				
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne, Australia	100	59	134	F
NULON PRODUCTS AUSTRALIA PTY. LTD., Sydney, Australia	100	7	22	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	84	225	F
FUCHS LUBRICANTS REGIONAL HEADQUARTER (EAST ASIA) LTD., Shanghai, People's Republic of China	100	6	15	F
FUCHS LUBRICANTS (SUZHOU) LTD., Wujiang, People's Republic of China	100	16	161	F
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou City, People's Republic of China	100	67	235	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai, India	100	12	22	F

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues in 2020[2]	Consolidation[3]
PT FUCHS INDONESIA, Jakarta, Indonesia	100	4	5	F
PT FUCHS LUBRICANTS INDONESIA, Jakarta/Indonesia	100	0	5	F
FUCHS JAPAN LTD., Tokyo, Japan	100	5	12	F
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	7	22	F
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam, Malaysia	100	2	5	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	1	12	F
NULON NZ LTD., Auckland, New Zealand	100	0	1	F
FUCHS LUBRICANTS PTE. LTD., Singapore, Singapore	100	3	12	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	1	7	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	7	F
FUCHS LUBRIFICANTES DO BRASIL LTDA., City of Barueri, State of São Paulo, Brazil	100	7	28	F
FUCHS LUBRICANTS SpA, Quilicura, Santiago de Chile, Chile	65	0	1	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	11[5]	23[5]	F
LUBRICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro, Mexico	100	18[5]	41[5]	F
PROMOTORA FUCHS S.A. DE C.V., Querétaro, Mexico	100	0[5]	3[5]	F
FUCHS CORPORATION, Dover, Delaware, USA (subgroup)	100	261	351	F
FUCHS LUBRICANTS CO., Harvey, Illinois, USA	100	205[5]	239[5]	F
NYE LUBRICANTS INC., Fairhaven, Massachusetts, USA	100	82[5]	42[5]	F
ULTRACHEM INC., New Castle, Delaware, USA	100	19[5]	15[5]	F

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues in 2020[2]	Consolidation[3]
II. JOINT VENTURES				
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	14	21	E
FUCHS MOZAMBIQUE LDA, Tete, Mozambique	50	0	3	E
FUCHS OIL MIDDLE EAST LTD., Sharjah, United Arab Emirates	50	12	21	E
FUCHS ZAMBIA LIMITED, Lusaka, Zambia	50	0	5	E
FUCHS ZIMBABWE (PVT) LTD, Harare, Zimbabwe	50	1	15	E
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir, Turkey	50	37	65	E
III. ASSOCIATES				
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah, Saudi Arabia	32	46	118	E
FUCHS LUBRICANTS TANZANIA, Dar Es Salaam, Tanzania	48	0	1	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, 2020, while the accumulated average annual exchange rate of 2020 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.

40 Events after the reporting period

No significant events occurred after the reporting period.

Mannheim, March 2, 2021

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 2, 2021

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, 2020, 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, 2020 to December 31, 2020, 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, 2020 to December 31, 2020. 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, 2020, and of its financial performance for the financial year from January 1, 2020 to December 31, 2020, 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, principles 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, 2020 to December 31, 2020. 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

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 €236 Mio (11.1 % of total assets or 14.9 % of equity]) is reported under the "Goodwill" 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 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 plan of the Group forms 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. The impairment test determined that no write-downs were necessary.

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 plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling 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 groth rate 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 impairment testing and on goodwill are contained in section "Accounting policies" in note 14"Goodwill and other 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 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 statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "2.12 Corporate Governance" 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 so doing, 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, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting 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 controls.
- 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.
- 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 remain solely responsible 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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file **[FPSE_KA_LB_2020-12-31.zip]** and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January, 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) [if considered to be beneficial for the understanding of the separate report on ESEF compliance in an international context: and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on May 5, 2020. We were engaged by the supervisory board on August 26, 2020. 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 5, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Fischer
Wirtschaftsprüfer

ppa. Stefan Sigmann
Wirtschaftsprüfer

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 2021 Annual General Meeting:

Proposal for the appropriation of profits

in €	
Distribution of a dividend of €0.98 for each ordinary share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	68,110,000.00
Distribution of a dividend of €0.99 for each preference share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	68,805,000.00
Unappropriated profit (HGB) of FUCHS PETROLUB SE	**136,915,000.00**

Ten-year overview

FUCHS Group

Amounts in € million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Results of operations										
Sales revenues (by company location)	2,378	2,572	2,567	2,473	2,267	2,079	1,866	1,832	1,819	1,652
Germany	540	611	637	633	631	569	517	533	517	491
International	1,838	1,961	1,930	1,840	1,636	1,510	1,349	1,299	1,302	1,161
Cost of sales	1,524	1,682	1,668	1,591	1,416	1,288	1,173	1,142	1,153	1,047
Gross profit	854	890	899	882	851	791	693	690	666	605
in % of sales revenues	35.9	34.6	35.0	35.7	37.5	38.1	37.2	37.7	36.6	36.6
Earnings before interest and tax (EBIT)	313	321	383	373	371	342	313	312	293	264
in % of sales revenues	13.2	12.5	14.9	15.1	16.4	16.5	16.8	17.0	16.1	16.0
Earnings after tax	221	228	288	269	260	236	220	219	207	183
in % of sales revenues	9.3	8.9	11.2	10.9	11.5	11.4	11.8	11.9	11.4	11.1
Assets / equity and liabilities										
Balance sheet total	2,120	2,023	1,891	1,751	1,676	1,490	1,276	1,162	1,109	985
Shareholders' equity	1,580	1,561	1,456	1,307	1,205	1,070	916	854	782	658
Equity ratio (in %)	74.5	77.2	77.0	74.6	71.9	71.8	71.7	73.5	70.5	66.8
Cash and cash equivalents	209	219	195	161	159	119	202	175	144	79
Financial liabilities [1]	30	26	4	1	13	18	16	8	9	14
Net liquidity	179	193	191	160	146	101	186	167	135	65
Pension provisions	43	36	25	26	35	33	36	16	26	16
FUCHS Value Added (FVA)	**165**	**174**	**251**	**250**	**257**	**246**	**230**	**222**	**208**	**186**
Cash Flow / investments / research and development										
Cash inflow from operating activities [2]	360	329	267	242	300	281	255	221	203	89
Cash outflow from investing activities [2]	–236	–167	–108	–102	–136	–219	–67	–71	–63	–30
thereof acquisitions [3]	–114	–13	12	–2	–41	–170	–22	0	–1	0
Free cash flow	124	162	159	140	164	62	188	150	140	59
Free cash flow before acquisitions [3]	238	175	147	142	205	232	210	150	141	59
Investments	122	154	121	105	93	50	52	70	61	36
Depreciation (scheduled)	80	73	58	53	47	39	30	28	27	26
Research & development expenses	54	55	52	47	44	39	33	31	29	28

FUCHS Group

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Employees [4]										
Number of employees (average)	5,786	5,573	5,339	5,147	4,990	4,368	4,052	3,846	3,754	3,646
Germany	1,679	1,657	1,572	1,521	1,488	1,314	1,213	1,180	1,143	1,086
in %	29.0	29.7	29.4	29.6	29.8	30.1	29.9	30.7	30.4	29.8
International	4,107	3,916	3,767	3,626	3,502	3,054	2,839	2,666	2,611	2,560

FUCHS Shares

Amounts in €		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Ordinary	1.58	1.63	2.06	1.93	1.86	1.69	1.57	1.53	1.45	1.28
Earnings per share [5]	Preference	1.59	1.64	2.07	1.94	1.87	1.70	1.58	1.54	1.46	1.29
	Ordinary	0.98	0.96	0.94	0.90	0.88	0.81	0.76	0.69	0.64	0.49
Dividend per share [5,6]	Preference	0.99	0.97	0.95	0.91	0.89	0.82	0.77	0.70	0.65	0.50
Dividend distribution (in € million) [6]		137	134	131	126	123	113	106	97	92	70
Share buyback (in € million)		0	0	0	0	0	0	76	22	0	0
	Ordinary	37.85	39.95	35.00	40.37	36.95	37.69	31.74	30.90	26.50	15.06
Stock exchange prices on December 31 [5]	Preference	46.44	44.16	35.98	44.25	39.88	43.50	33.30	35.52	28.10	16.91

[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 comparibility.
[6] Dividend proposal for 2020.

Financial calendar

Dates 2021

March 9	Annual report 2020
April 29	Quarterly Statement as at March 31, 2021
May 4	Virtual Annual General Meeting
July 30	Half-year financial report as at June 30, 2021
October 29	Quarterly statement as at September 30, 2021

The financial calendar is updated regularly. You can find the latest dates on the webpage at
→ www.fuchs.com/financial-calendar

Annual General Meeting 2021

The virtual Annual General Meeting will be held on Tuesday, May 4, 2021, at 10:00 am. 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 have published it exclusively in digital form since 2020.

Imprint

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