

ANNUAL REPORT 2018

Pacesetter



FUCHS at a glance

FUCHS Group
Amounts in € million

	2018	2017	Change in %
Sales revenues¹	2,567	2,473	3.8
Europe	1,546	1,515	2.0
Asia-Pacific, Africa	783	733	6.8
North and South America	409	393	4.1
Consolidation	-171	-168	1.8
Earnings before interest and tax and before income from companies consolidated at equity	357	356	0.3
in % of sales revenues	13.9	14.4	
Earnings before interest and tax (EBIT)	383	373	2.7
Earnings after tax	288	269	7.1
in % of sales revenues	11.2	10.9	
Investments in long-term assets	121	105	15.2
in % of scheduled depreciation ²	209	198	
Free cash flow before acquisitions³	147	142	3.5
Shareholders' equity	1,456	1,307	11.4
in % of balance sheet total	77.0	74.6	
Balance sheet total	1,891	1,751	8.0
Employees as at December 31⁴	5,446	5,190	4.9
Earnings per share (in €)			
Ordinary share	2.06	1.93	6.7
Preference share	2.07	1.94	6.7
Proposed dividend / dividend (in €)			
per ordinary share	0.94	0.90	4.4
per preference share	0.95	0.91	4.4

¹ By company location.

² Capital expenditure excluding financial assets.

³ Including divestments.

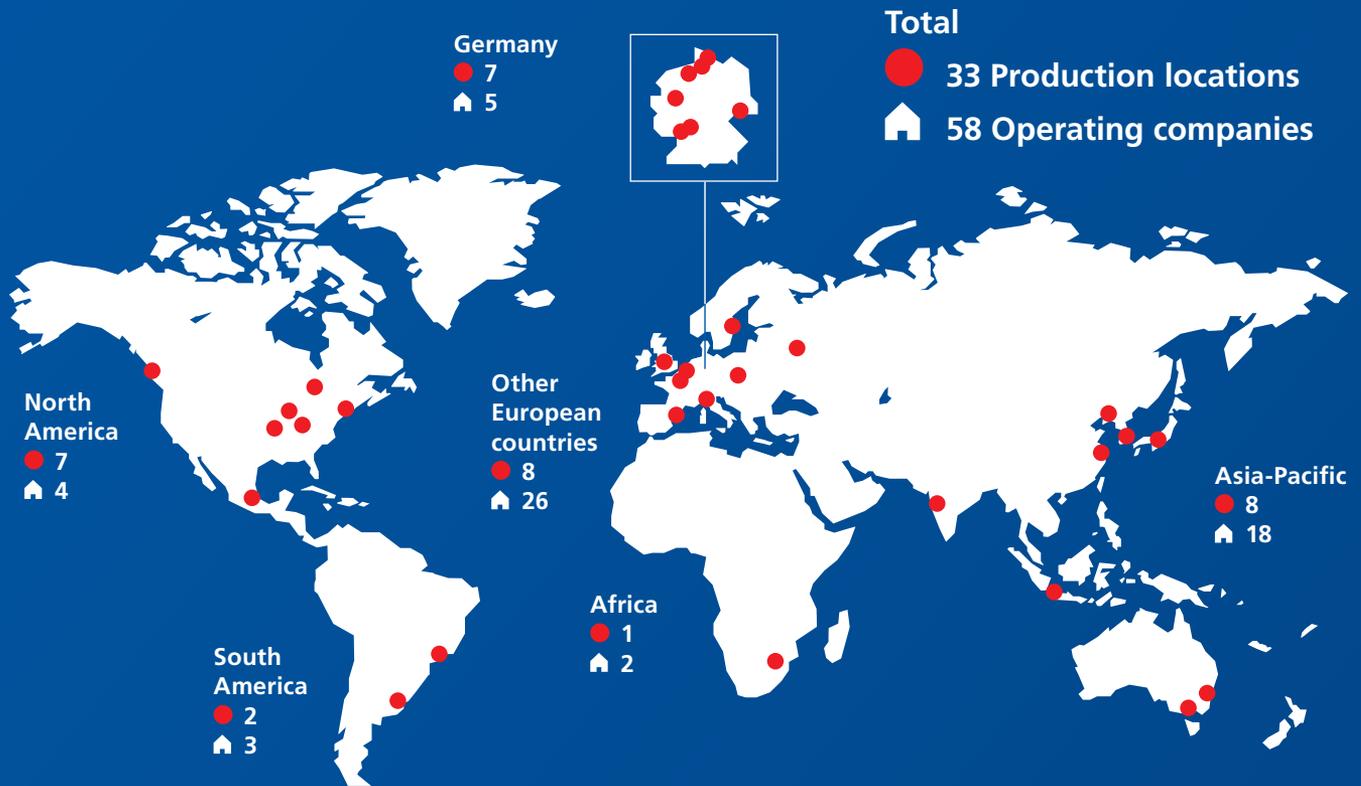
⁴ Including trainees.

Group structure

FUCHS PETROLUB SE is the parent company of the FUCHS Group, which predominantly owns subsidiaries directly and at 100%. As of December 31, 2018, the Group comprised 58 operating companies, of which five conduct their business activities in Germany and 53 abroad. The consolidated financial statements also include non-operating holding and management companies, which together increase the number of consolidated companies to 66. There are also four associated companies and joint ventures accounted for using the equity method.

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

Group companies and production locations (as at December 31, 2018)



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 5,500 employees in over 45 countries.

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





“Technological advances, new possibilities within the digital world, autonomous driving, e-mobility – these are all challenges that we want to use as opportunities. Our aim is to create a more agile company based on our values – with communication free of hierarchies and with an open feedback culture.”

Stefan Fuchs, Chairman of the Executive Board

THE FUCHS GROUP MAGAZINE

Pacesetter

LUBRICANTS.
TECHNOLOGY.
PEOPLE.



“We are setting the pace. FUCHS has continued to grow organically. This presents a secure base that enables us to invest heavily in the future and keep on innovating. We are digitalizing development processes and products, carrying out research as part of an international network, all with our finger on the pulse of local markets and entire industries and a swift, agile approach to implementing our plans. But despite the fast pace, we never lose sight of what lies at the core of our success: LUBRICANTS.TECHNOLOGY. PEOPLE.”

Stefan Fuchs, Chairman of the Executive Board
FUCHS PETROLUB SE





Two pacesetters at work: Development engineer Holger Maisack and chemist Dr. Erik Schuster ensure the speed and traction of all types of vehicles through the research and development of transmission and shock absorber oils. They are finding solutions for our customers' applications in ever-shorter development cycles.

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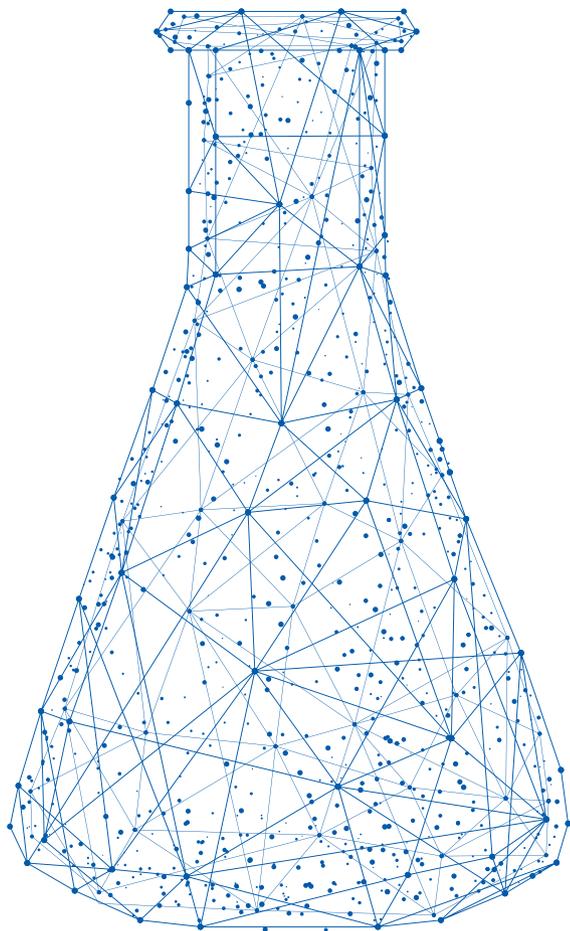
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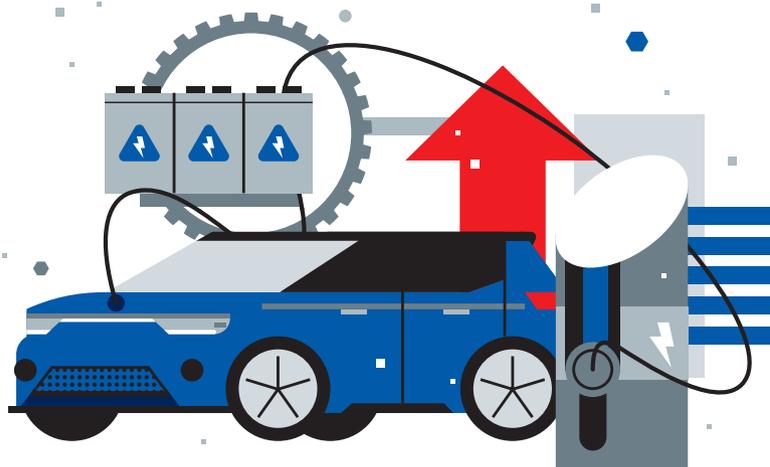
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What will you be working on in three years? Four young FUCHS employees tell their stories.





Target? The future!

FUCHS – the world's largest independent lubricant manufacturer – has spent the past two years investing generously in an organic growth strategy. The Chairman of the Executive Board, Stefan Fuchs, takes us on a tour of the plant site and explains what this strategy involves, where it is to lead and what areas the company will be focusing on in the future.

By Stephan Weiner

Friesenheimer Strasse is long, stretching around four kilometers along Bonadieshafen. Many companies are based here, FUCHS being one of the largest and longest-standing. The family-run company started production here more than 80 years ago, right from the outset focused on lubricants. What began way back in 1931 with the delivery of oils -imported from the USA- to the companies in the Mannheim port by bicycle, developed into an international success story. Today, the FUCHS Group – comprising 58 subsidiaries operating under the FUCHS PETROLUB SE umbrella – is a global player employing a workforce of more than 5,000 in over 45 countries and manufacturing around 10,000 products.

- › There's not a cloud in the sky as we meet Stefan Fuchs – the Chairman of the Executive Board and grandson of company founder Rudolf Fuchs – in front of the new test field building for a tour of the plant site. We are here to talk about two things in particular: the present and the future. What is FUCHS' current situation? And what goals are on the horizon?

FUCHS has specialized in lubricants right from the beginning. What impact has this had on the company?

Lubricants are the core of our business. We offer more than 10,000 products, every one of which is designed to reduce friction. This might not sound very diverse to a layperson, but we have more than 100,000 customers all over the world, including automotive suppliers and companies from the mechanical engineering, mining, aerospace, power generation, agricultural and many other industries. In close collaboration with them, we develop holistic, innovative and customized solutions for an incredibly diverse range of applications. In other words, we cover an extremely broad and fascinating spectrum.

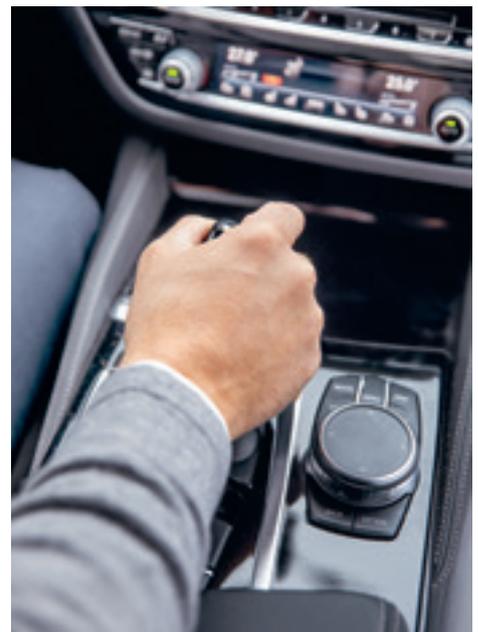
- › We take a drive across the FUCHS plant site. A gatekeeper waves to us. Stefan Fuchs smiles and greets him back. We turn right and head toward the main building.

The plant site is growing – and so, too, is the company. Why is this?

An intact business model encompassing a high level of product expertise, holistic solutions offering significant added value for our customers and committed and motivated employees. But we don't want to grow just for the sake of it; for us, it's about achieving healthy, profitable growth close to where our customers are and sustainably adapting to a changing world. Technological advances, new business models facilitated by digitalization, autonomous driving, e-mobility – these are all fields harboring opportunities that we want to leverage. The FUCHS2025 initiative, which we launched in 2018, is designed to support us to achieve this. Among other things, we are working on global processes and standards as well as on our leadership culture. Our aim is to become a more agile company based on our five core values of trust, creating value, respect, reliability and integrity.

"Agile" is probably one of the most commonly used words to describe modern corporate structures. What does agility mean for FUCHS?

For FUCHS, agility means communicating without hierarchies and allowing that decisions are made by experts in the specialist areas. It is a question of making proactive and quick decisions that we can implement immediately. Our already established global networks provide a good example here. All employees ultimately work together as a team in a spirit of openness and





FUCHS intends to invest more than

€100 million

in organic growth annually up to 2021.

trust and provide feedback at eye level. Only in this way we can be truly agile and create, for example, shorter coordination cycles.

What does a company have to do to ensure that employees really can provide “feedback at eye level”?

Here I would like to refer you to the last pillar in our mission statement “PEOPLE.”: The people make all the difference here. We have colleagues who are already working at FUCHS in the second and third generation, but our employees are more than 5,000 individuals whose needs we want to address. We have a working atmosphere that fosters trust – including in the future of our company – and is rewarded by the great loyalty of our employees. That makes me incredibly proud. And of course, “feedback at eye level” is not only an internal issue, because we also enjoy a trusting relationship with our customers.

You can read more about our investments worldwide on page 28.

- › Every visitor who comes here can see that FUCHS is a self-confident organization – and has every right to be so, too: Having been a listed company for almost 35 years, without a single loss-making year in that time and with annual dividend payments. This is a remarkable track record that has laid the foundations for a broad-based investment offensive.

FUCHS is securing its future viability and making huge investments...

Following a foundation, internationalization and consolidation phase, we are now in our growth phase. In 2018, we again recorded further growth with sales of €2.6 billion. This makes us glad and we intend to continue this trend. Thanks to our FUCHS2025 initiative, we are preparing ourselves for the challenges that this period of expansion will entail – and, of course, making the required financial resources available. We plan to invest more than €100 million each year up to 2021. Most of this will be allocated to new plants and plant expansions. Over the coming three years, for example, around €50 million will be invested in our home location in Mannheim, where we have purchased two plots of land so that we can increase our floorspace by 25% to 135,000 square meters – a measure that will free up a host of opportunities. This is where we will be constructing a new office building and a high-bay warehouse for raw materials.

In addition, you doubled investment in research and development over the past ten years. The Global Research & Development network constitutes an extremely efficient international research structure. FUCHS' in-house innovative strength seems to be very highly valued.

That's right. Our nucleus of research is based here in Germany, but we want to expand above all in the USA and China. It is important to us that local OEMs have access to locally made FUCHS products. It is also important that we support the advancement of pioneering developments such as e-mobility by providing outstanding solutions – after all, new technologies like this require new lubricant applications. Therefore we established our highly successful, global research network. In "Global Key Working Groups," scientists conduct research into fundamental solutions – core recipes for various product families – above and beyond the scopes of individual subsidiaries, a process that results in tailor made products for specific customers. This approach to research helps us to lay the foundations for the technology of tomorrow.

- › Stefan Fuchs parks in front of the main building. A short set of steps takes us up to a flat building. We can see huge silos to our left. The foyer is bright, the furnishings modern and understated. And talking of modern:

The digital transformation is currently on everyone's lips. Every single company must be aware that new digital solutions lead to new processes in both production and administration. Is FUCHS properly prepared for this?

Yes, we have significantly expanded our entire IT area over the past few years. To help us to better coordinate activities in this area, we launched our own Digital Board, which will steer these processes worldwide. The subsidiary inoviga, which we founded in late 2016, acts as our think tank here, opening up whole new ways of thinking and driving forward digitalization projects. Just one example: Holistic systems with sensors designed to make lubricants "talk" so that they can automatically inform us of their status and whether any action is required.

Mr. Fuchs, thank you for talking to us – and of course for the tour of the plant site.

It was a pleasure! ■

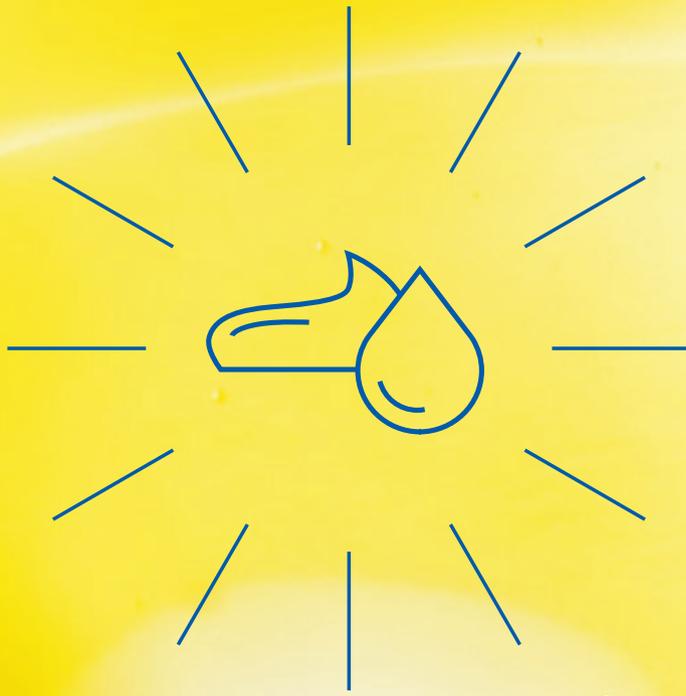
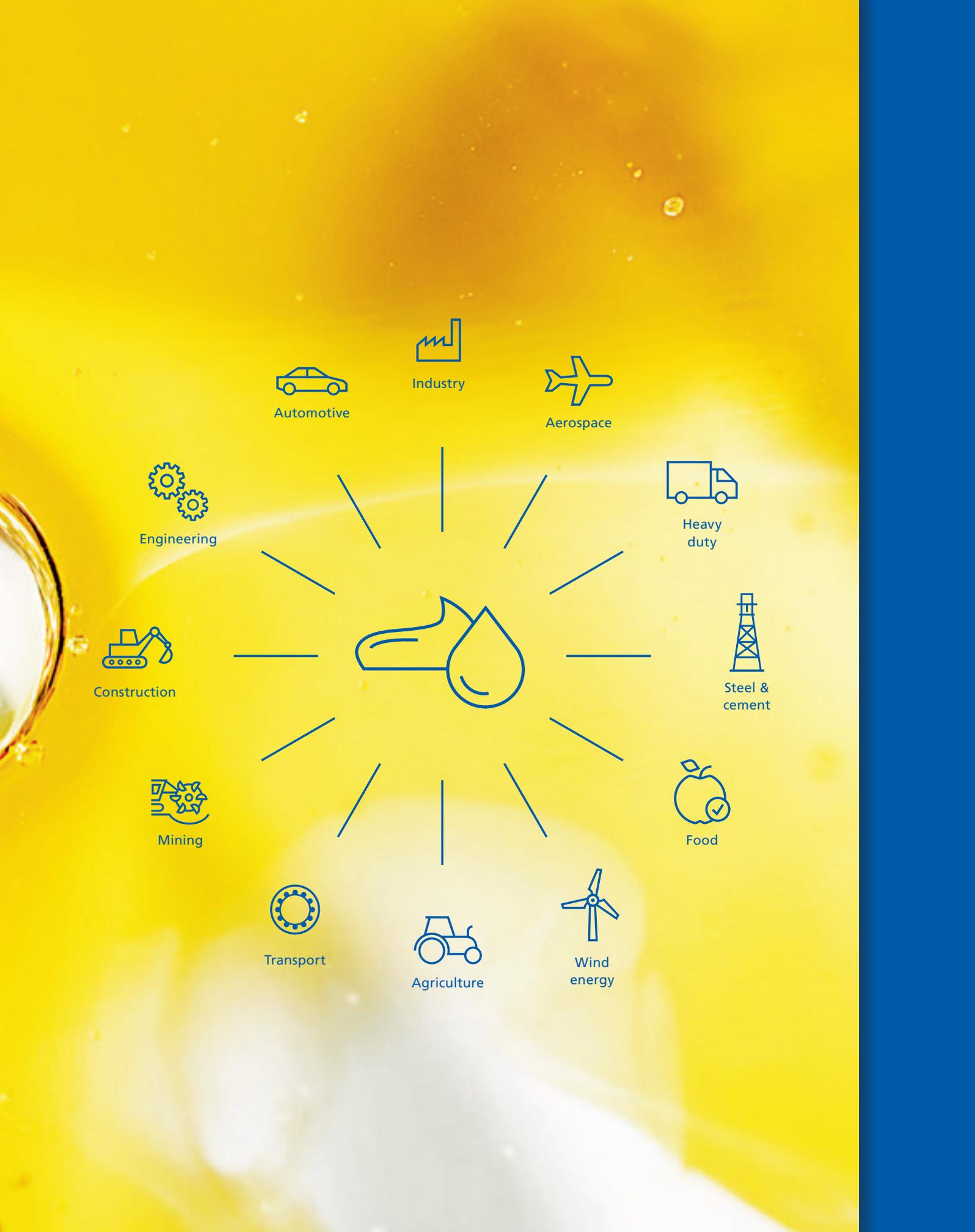


"Agility is a key factor: Our experts make decisions quickly, which we can put into practice instantly."

Stefan Fuchs, Chairman of the Executive Board
FUCHS PETROLUB SE

Full program – for every application

When it comes to lubricants offering both application diversity and individuality, FUCHS is your partner of choice! We combine the strengths of full-liners with the individuality of niche specialists to supply high-quality, technologically advanced lubricants – ranging from standard to highly customized solutions, for almost every application and industry, all over the world.

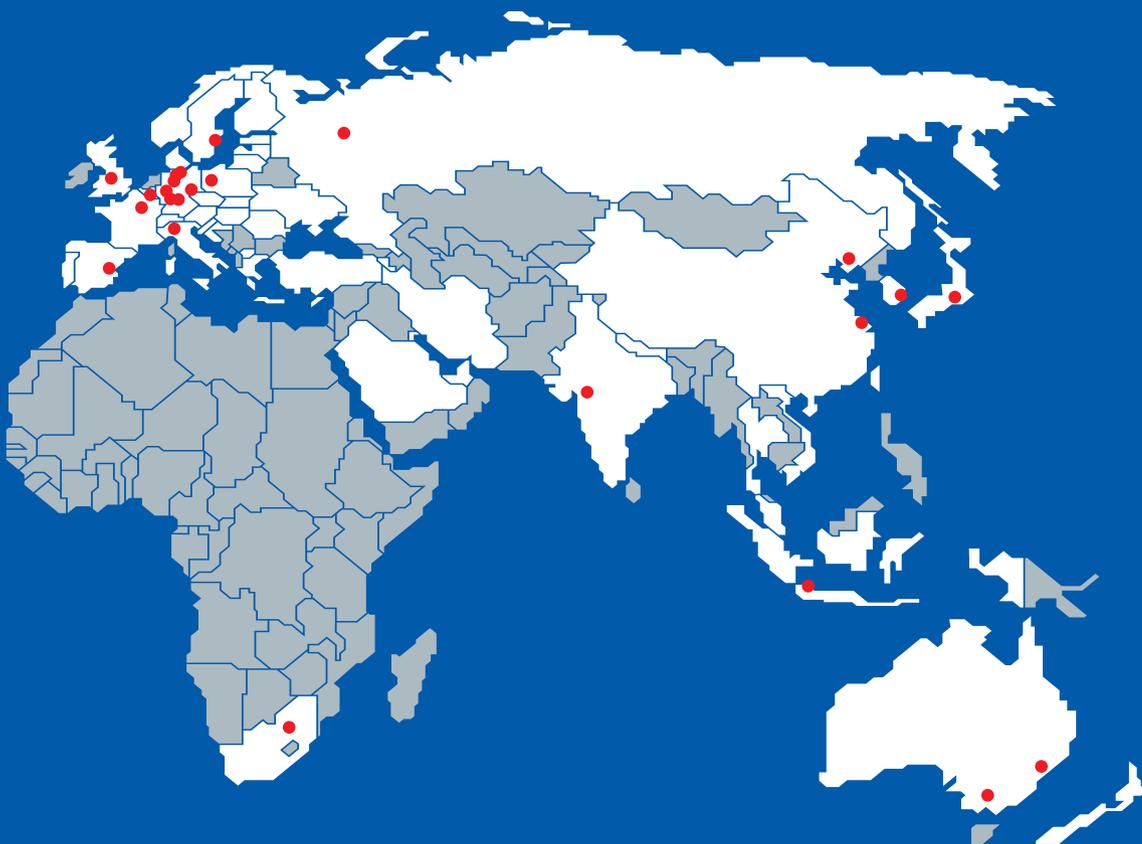


Our company can be found wherever our 100,000 customers are –



Who
and
the
spe
lub
solu
the

all over the world, in more than 45 countries.
Therefore we know the requirements of entire industries
and markets to the greatest detail – requirements
that we implement through our 58 operating companies
and 33 production locations all over the world.



● 33 Production locations

🏠 58 Operating companies

Onward and upward

- › Anyone wishing to remain an industry leader has to understand the customers and their markets
- › The future is information, the future is digital
- › In a globalized world, a local presence counts – FUCHS is expanding its production capacities and sales networks worldwide

The overall market for lubricants is huge and it continues to grow. So, conditions are good. However, a company can grow with the market only with a substantial amount of effort and certainly not without a strategy – particularly in the age of Industry 4.0. This is also apparent in the industry's technical sales. To enable the rapid upward trajectory to continue in the future, it is important to put the focus on the customers' perspective – what they want, need and quite simply expect.

Know the requirements

And this is important, because productivity has top priority for industrial customers. Uptime is the magic word here, meaning maximum machine availability without failures. In addition, we are experiencing a digital transformation on both a commercial and technical level with regard to our customers. The new generation of decision makers in particular expects electronic platforms that make it possible to buy lubricants for all locations worldwide in one place. They want ordering lubricants to be as comfortable as buying books on Amazon.



Dr. Thomas Christmann
Vice President Global Sales
Strategy Industrial Lubricants

The technical development is clearly headed toward a future in which machines use sensors to monitor themselves. This will also make it possible to measure the quality of lubricants. Software will decide when a lubricant needs to be refilled or reordered.

We have to change our perspective and view the world from the point of view of our customers.

But for all kinds of digitalization, customers still need and request sound, solution-oriented personal advice with added value. In short, they rely on strong points

of contact with sales expertise. We are challenging ourselves to meet these expectations and we will deliver. In order to meet the requirements of the sales operations, we are currently working on digital sales tools and we will implement internet-based e-commerce very soon.

We are focused on markets and are developing complete solutions.

Meet the requirements

We keep track of our customers. Our industrial customers are relocating their capacities to regions

in which we are currently expanding our presence. We are establishing new production capacities in the US, Eastern Europe and Asia, thereby reducing delivery times. Globalization in industrial sales means that we have to focus on the markets, develop relevant lubricants and provide a one-stop service for complete solutions. This also means that the global and local sales networks will undergo organizational changes and adjustments. This will enable us to react to customer requirements with increased speed and flexibility.

The broader the range of customers, the better.

In order to provide the best possible support to our major customers, not only do we have to offer

them the best products and services in the world, but we also need to speak to them with one voice. We therefore require a key account management team that would be responsible for coordinating what we have to offer to our customers across products and regions. It would then bundle this up and provide a one-stop service for complete solutions. We alone are able to supply almost

all lubricants, understand the correlations and know which operating fluids go together. This expertise forms an essential part of our services.

Our steel team in China has significantly increased sales revenues and gained market shares.

So the biggest investments in sales are made in the training and knowledge of our employees. They use their expertise to develop the right solution, earning trust

and creating added value for customers by helping them to increase uptime and productivity on site. The requirement to have detailed knowledge of certain industries is also key here. Our steel team in China is proof that this is worthwhile. Colleagues here were able to significantly and profitably increase sales revenues, and gain market shares. It is our aim and intention to implement this recipe for success in other industries, too, such as aerospace, the medical industry, offshore and wind energy.

Overall, we need various pillars to achieve stable growth. This is why we will operate by the motto “the broader the range of customers, the better” in the future. We are deliberately aiming for a mix of global major customers and many medium-sized customers. And regardless of the customer or industry, providing the highest quality is our top priority.

Anticipate requirements

So, even from the customer’s perspective, we have the right strategy in place for a successful future. We are working intensively on “talking lubricants” – with sensors and software that recognize when there is no more lubricant left. We are pioneers here. However, not everything can be anticipated. For example, what kind of place will artificial intelligence have in the industry? How will our role as suppliers change? There are still no answers to these questions, but one thing is certain: we want to develop solutions together with customers. In the future, we want to accompany them and continuously adapt our own processes to new conditions. This will enable us to help shape the path to the future. We will then be not only pacesetters, but also pioneers. ■



Lubricants in focus

Our products are often invisible at first glance. However, they can be found almost everywhere, quietly at work in the background – and have become indispensable to the industries that we supply. They have a whole host of hidden talents, standing for performance and sustainability, safety and reliability, efficiency and cost savings in even the most special applications. All over the world.



Kosher & halal
The CASSIDA FM GREASE HD 2
lubricating grease



Icy hot & robust
The hydraulic oil
RENOLIN XtremeTemp



Icy hot & robust

The hydraulic oil RENOLIN XtremeTemp



Extreme temperatures, high pressure, the highest specific loads – hydraulic systems are often pushed to the limit in terms of performance, particularly in construction machinery under various climatic conditions worldwide. Pumps, valves, components and hydraulic oils are used continuously under tough conditions. And the requirements are becoming ever more demanding: there should be a reduction in fuel and energy consumption, while performance and efficiency should increase. RENOLIN XtremeTemp has been developed for extreme operating conditions. It remains fluid, even at the lowest temperatures – and is also sufficiently smooth when it heats up. Its performance is remarkable.

100%

better starting performance *

RENOLIN XtremeTemp enables a quicker start-up for the hydraulic system thanks to its excellent behavior at low temperatures. This makes work more effective and increases efficiency.

13%



savings potential on fuel consumption *

thanks to a high level of efficiency, reductions in pressure losses and low fluid density.

12%

increase in productivity*

The machinery's efficiency is significantly improved by using RENOLIN XtremeTemp. For example, crawler excavators that use RENOLIN XtremeTemp are able to move considerably more construction material in over 4,000 working hours than other vehicles which are filled with traditional hydraulic oil in the same amount of time.

400%

increase of oil lifetime *

Even in high ambient and system temperatures, and high humidity, RENOLIN XtremeTemp achieves a lifetime for excavators and construction machinery used in mining that is one to four times longer than that achieved by a standard oil.



65%

less wear *

thanks to a high level of protection of the pumps and components under tough operating conditions and high pressures.

Technical performance of RENOLIN XtremeTemp 46:

- Viscosity at –20 °C: 2,150 mm²/s
- Viscosity index: ≥ 180
- Shear stability: < 10 %
- Pour point: –34 °C
- Excellent pump wear protection

* In comparison with traditional hydraulic oils

Kosher & halal

The CASSIDA FM GREASE HD 2
lubricating grease



During feed and food production, the most rigorous hygiene standards apply – and sometimes even religious dietary rules become relevant. Any risks to people and animals have to be ruled out. Lubricants should therefore under no circumstances come into contact with food products. However, in the event that this could happen, there is the CASSIDA FM GREASE HD series from FUCHS LUBRITECH. The product portfolio is constantly tested and certified to the most stringent standards. And, of course, the lubricants all meet the other traditional requirements for a smooth and highly effective production process.



Less wear

The CASSIDA FM GREASE HD greases not only provide perfect lubrication, but also protect the machinery from dust or surrounding media in storage.



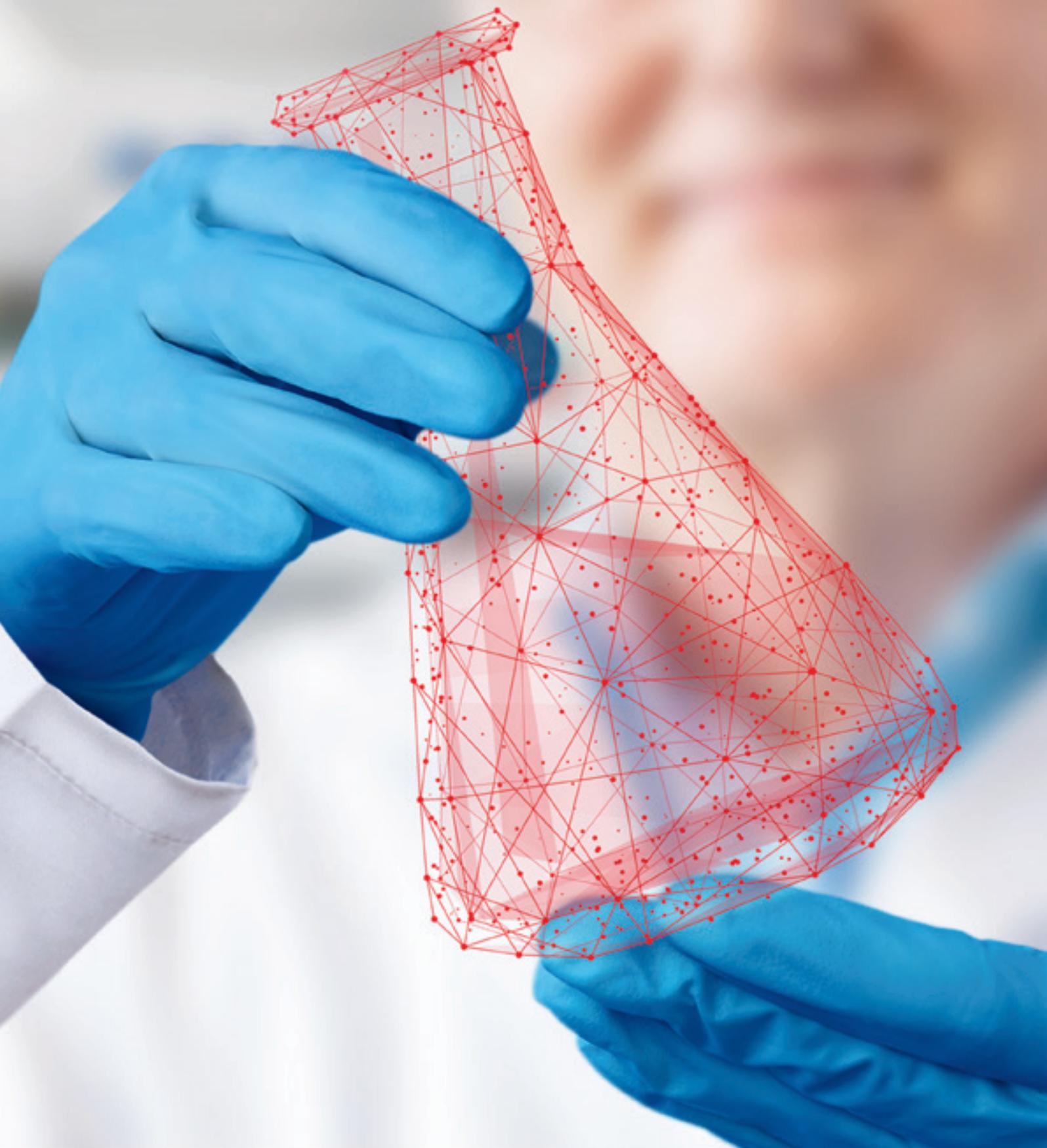
Our CASSIDA products meet Jewish and Muslim dietary rules and are therefore considered kosher and halal.

80%

From 2014 to 2018, FUCHS LUBRITECH was able to increase the product series' sales figures by 80%.

ISO 21469 / NSF International H1

All CASSIDA lubricants are registered through NSF International H1. In addition, the international standard ISO 21469 certifies the manufacturing process for our food-grade lubricants, from raw material receipt to goods issue of the finished product. This enables us to offer our customers maximum safety in terms of food-grade lubricants.



Virtual development

We live in times of massive, digital transformation. The challenge of this for research and development is to find the right digital methods for our specific needs from the many possibilities. This is because data analysis, modeling and simulations do not present an end in themselves. They have to make it possible to produce new and more efficient products in shorter development times.

There is huge potential for using digital tools in development of new lubricants. They make it possible to predict previously unknown processes and properties. They thereby help not only to forecast critical operating states in devices to be lubricated, but they also make a significant contribution to achieving a deeper understanding of our lubricants. For example, in a validating laboratory experiment there is no or limited access to extreme conditions such as those that occur in real machinery. However, they can now be mapped or extrapolated using simulation methods. This enables us to adjust our products to achieve an even closer match to the requirements of our customers, which currently means above all further reducing wear and energy consumption in machinery, thereby increasing efficiency.

Another major advantage of computer simulation is reflected in the “virtual” assessment of alternative, previously unavailable raw materials, the use of which may hold promise. Expensive experiments based on the trial-and-error principle can be dispensed with and development times can be shortened.

New lubricants for e-mobility

Our customers in the automotive industry are also facing various new challenges. The transition to e-mobility is central here. The electric drivetrain will play a leading role in future transport concepts, as will the combination of electric motor and transmission. Such systems call for different lubricants than those required by a combustion engine. For example, it is possible to combine the transmission lubricant and the motor and power electronics coolant in a single product. The compatibilities with materials such as copper, but also with high temperatures that are prevalent in electric motors – due to high speeds and strict performance requirements – are particularly important here. It is vital to take into account all these conditions during the development of new lubricants.

The digital toolbox

Suitable digital methods can be used extremely profitably to complete these development tasks. They provide a better understanding of our lubricants and sometimes even predict the properties of new formulas. The impacts of these properties on the overall system can also be calculated.

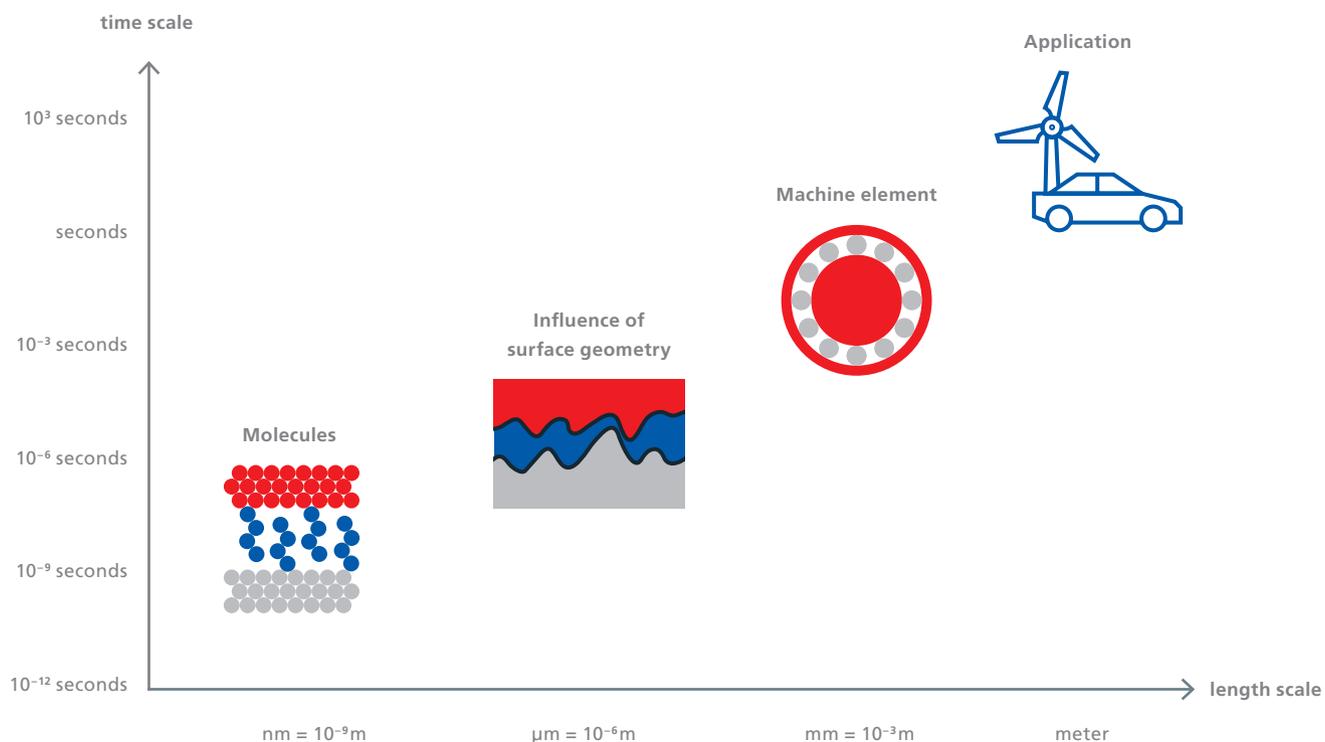
Various digital tools are used in research and development at FUCHS. These include data analysis, chemoinformatics, which is used to calculate the properties of molecules, and the design of experiments. However, alongside rapidly growing processing power, modeling and simulation methods are becoming increasingly important. This enables us to look, as though with a magnifying glass, further inside the virtual lubricant – so far until eventually we reach nano-scale, a range of a few nanometers in which molecules and atoms become visible. We are applying this approach to three different levels of variables, right down to nano-scale: on the macro-scale (larger than 10^{-3} m) we are simulating the technical unit, on the micro-scale (approximately 10^{-6} m) the lubricant gap, and at the lower end, on the nano-scale (smaller than 10^{-9} m) the molecules.

Nano-scale: the calculated additive

The nano-scale tests conducted by the research and development department at FUCHS are reflected in a current development project from the area of electric machinery: to protect against the premature wear of electric motors, what is called an “anti-wear additive” was “virtually” added to the oil-based lubricant. This additive was digitally simulated under “operating conditions.” We were particularly interested here in the temperature range in which the molecule takes effect – in other words, the moment in which it reacts. However, the behavior in relation to copper was also important.

Modeling approaches of today and tomorrow

We are conducting extensive research on lubricants, across all variables and timescales: from the behavior of individual molecules within fractions of a second to predictions of properties for technical applications over longer periods. In the long term, we aim to recognize the decisive influencing variables across all these dimensions, understand the significant correlations between them and combine the associated modeling approaches in an integrated method.



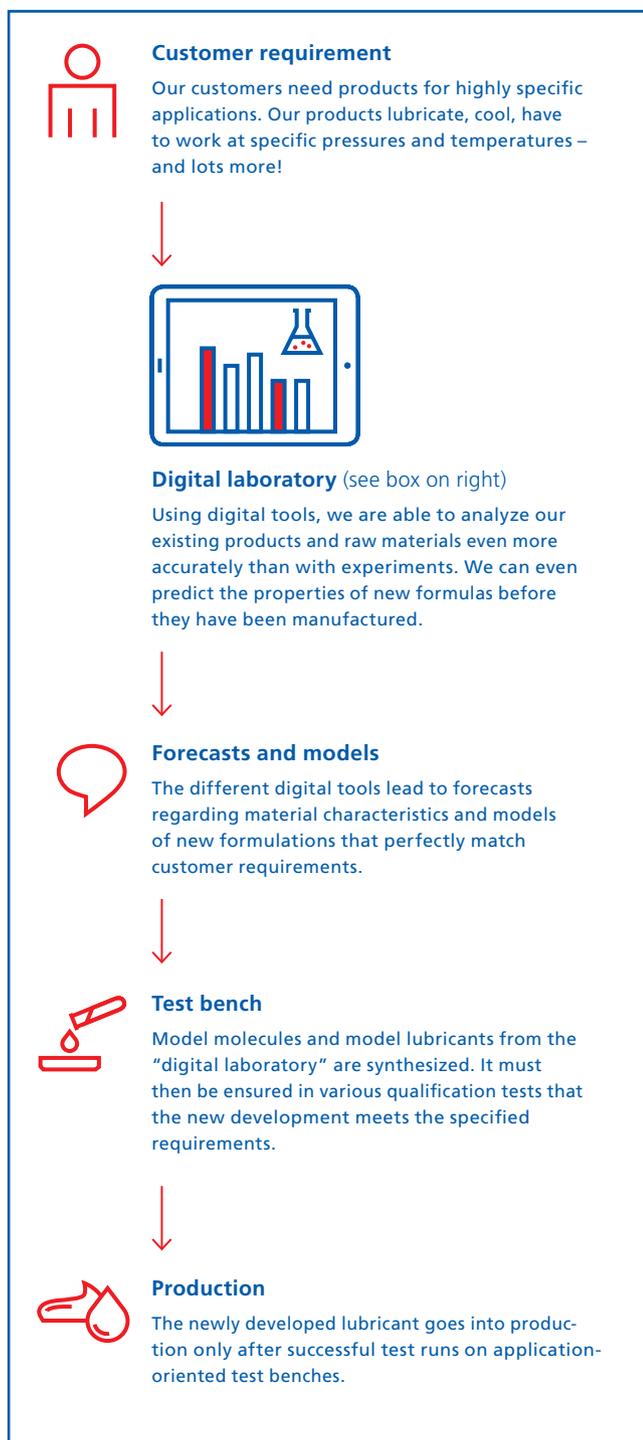
For this purpose, the additive was released in a mathematical model via ab initio methods. Equations were solved with state-of-the-art computers, thereby predicting the additive's properties. This simulation not only helped us to understand the additive's reaction mode, but the digital tools also pointed out molecules with improved properties that were then synthesized using conventional methods and are now in the test phase.

Micro-scale: the simulated lubrication gap

Despite all the progress made in terms of high-performance computers, such calculations at a molecular level cannot be directly extended to our empirical world. Here, we would be talking about over 10^{23} molecules, an unimaginably large number.

Through simplified approaches to molecular behavior, digital simulations can nevertheless be completed "one level higher" – to the micrometer scale (10^{-6} m). This will enable us to describe

Digitalized lubricant development



processes in the lubrication gap at the micro-scale level. It is therefore possible to make predictions regarding how our lubricants and additives affect wear and the surface behavior. And measurement variables that are difficult to ascertain in experiments, such as the lubricants’ flow properties under extreme pressures and at high speeds, are also “digitally accessible.”

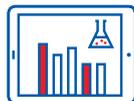
Macro-scale: simulation at the product level

The use of application-specific optimized lubricants is crucial to ensure the reliability and efficiency of lubricated systems. Simulation at the macro-level comprises the virtual mapping of individual machine elements, from gears and roller bearings to consideration of the overall system.

Modern simulation solutions and a close working relationship with research partners make it possible to identify the relevant contact and operating conditions of various applications. With this knowledge, we can perform targeted investigations of the necessary product-specific properties using model test benches, thereby ensuring that our products meet the specified requirements.

By implication, this means that we are developing digital methods to make it possible to map and predict, for example, the wear-related behavior of our products as realistically as possible using calculation approaches. As a result, we aim to make it possible for our customers to recognize relevant correlations between fluid and application at a very early phase of their own system development in order to make sound and reliable assessments of these with which to ensure optimal coordination. These possibilities enable virtual pre-screening – and thus significant reductions and optimizations in terms of both our development processes and those of our customers.

Components of the digital laboratory



Chemoinformatics

Database analysis methods that have been expanded to include chemical structures enable a better understanding of the lubricant properties to which each raw material leads.



Data analysis

By evaluating experiments, design of experiments and the combination of both methods, we can reinforce our expertise and understand and take into account correlations and influencing variables. This helps to develop new lubricant formulations.



Artificial intelligence (AI)

Algorithms uncover cause-effect mechanisms in our material databases. These can be used to train neuronal networks for predicting material characteristics.



Modeling

Before they are actually used, materials are transferred to mathematical models. This allows to predict their behavior under application conditions specified by the customer.



Simulation

By merging data about our raw materials, we can predict how the molecules of a specific lubricant recipe behave between different surfaces (i. e. in the lubrication gap).

AI as a formulation aid

Alongside simulations, data analysis is becoming increasingly important in research and development. Assessments of completed research projects play no less of a role here than the design of experiments. With methods that combine both approaches, models can be built for new lubricant formulations and customer requirements satisfied in a shorter time.

With clustering algorithms, we can also recognize various patterns in data arising from the use of our lubricants – and access valuable information regarding cause and effect mechanisms. Once these mechanisms have been understood – and there is an understanding of the formulations used as well as the chemical structures of the raw materials – neural networks can be trained to predict certain oil properties. This is how we are implementing artificial intelligence (AI) in lubricant development and optimization.

Digitalization is a megatrend. It will continue to pick up in speed. New generations of computers as well as better and quicker algorithms will make it possible to produce lubricants that are constantly improving in quality and efficiency. Anyone wishing to set the pace in development has to make use of it. ■

Visionary investments

The right investments in the right place at the right time is a crucial factor in a company's success. At FUCHS, we do this worldwide – and have done for many years. Some recent examples demonstrating our global growth strategy.

By Christina Schneider



More flexibility and individuality in Australia

Within 18 months it was built: the new plant with quality and research laboratory in Beresfield, Australia. The 25,000 m² space was officially opened in mid-February 2018 and replaces the plant in Wickham, Newcastle, which FUCHS had operated since 1979. The Beresfield plant predominantly supplies mining, agricultural and transport markets in Australia and New Zealand. With this new plant, FUCHS is ensuring customer proximity and creating greater flexibility for customer requirements. The plant meets the highest quality, safety and environmental standards, for example through automatic high-speed filling and corrosion-resistant piping and tanks. A special feature of the plant is that 30% of its electricity requirements, roughly 155 kilowatt, are generated by its own solar panels.

Digitalization and customization in the US

Wireless sensor technology for industrial fluids constitutes a future market for our business. Products targeted at precisely this field are manufactured at Fluid Vision Technology LLC in Texas. The American company joined the FUCHS Group in March 2018, meaning that FUCHS customers will have the ability to monitor the condition of their process fluids digitally, automatically and in real time for optimizing fluid maintenance processes. This means improved performance, more uptime and reduced operating and waste-related costs. Thanks to the new specialty grease plant in Harvey, Chicago, customers in the US can now be confident that the specialty greases they require are of the exact same quality and composition as those in Europe and Asia. It covers 3,200 m² and cost around €24 million. Since 2017, it has been supplying American customers with around 30 specialty greases for the North American automotive, truck, construction, railway and off-road markets. The adjoining R&D laboratory, which features a highly specialized test facility, enables the development of customized products.





Higher quality and faster response times in Africa

In May 2018, FUCHS commissioned a new grease plant in Isando near Johannesburg at a total investment cost of around € eight million. The fully automated facility is equipped with state-of-the-art technology for producing a whole range of specialty greases. In this way, FUCHS is responding to rising demands of African customers for ever-increasing quality, improving its ability to respond on the African market and making it easier for itself to export greases to other African countries. The new facility will also allow FUCHS to meet the rising demand in the mining industry.

More capacity and and high levels of automation in Kaiserslautern

In 2018, FUCHS LUBRITECH in Kaiserslautern underwent further expansion with a fully automatic high-bay warehouse, two production halls and modern offices for 70 employees. The new high-bay warehouse has doubled previous storage capacities. Thanks to state-of-the-art software, it even cleans up after itself at night and on the weekend. Furthermore, the fire hazard is minimized through energy-saving oxygen reductions. Open-plan offices, a library, rest areas for employees and new rooms for the laboratory and quality control team were all constructed at a cost of €16 million without disrupting operations and with increased output. Another new production facility in Kaiserslautern is scheduled to enter service by the end of 2019.



More than 30 years of growth in China

FUCHS has been operating its own production facilities in China for more than 30 years. In 1988, Dr. Manfred Fuchs purchased the first plant in Yingkou in the northeast of China. Then plants and facilities in Shanghai (1996) and Hefei (1998) followed. The Shanghai plant became the Chinese headquarters in 2008, at a cost of around € ten million. Five years later, a new plant was built for around €24 million in Yingkou because the old one offered no more scope for expansion. The ten-year-old Shanghai plant is now also reaching its limits. In response, and at a cost of approximately €50 million, a new plant is currently being built around 100 kilometers west of Shanghai in Wujiang, where eight highly automated filling lines, 31 blenders and 55 tanks with a capacity of between 60 and 500 m³ are scheduled to be brought on line in April 2019.



A space for headquarters and production

Our home location is now ready to undergo the next phase of expansion. After several years of searching, FUCHS has managed to acquire two new properties in the immediate vicinity of its current location in Mannheim. This will increase the headquarters' floorspace by 25% to 135,000 m². And the construction plans for the recently acquired properties are already on the table. Once a few old buildings have been torn down, a new building will be constructed for the holding by the end of 2020, creating workspace for over 200 employees. FUCHS is also building a high-bay warehouse for packaged raw materials used in lubricant production. An existing office building will be retained and renovated. And last but not least, FUCHS will also be expanding the canteen area. The investments amount to around €50 million. And there will still be room for further growth.

Keep cool

The climate is changing. In order to become more climate-friendly, companies around the world are producing new refrigerants – all that is missing are the right refrigeration oils. At the forefront of development is the FUCHS Group.

By Stephan Weiner

“The number of refrigerants on the market is constantly rising. Companies such as FUCHS have to be quick and innovative in the development of new, compatible oils.”

Dr. Karin Jahn
CEO of the Research Council for Refrigeration Technology

Refrigerants and refrigeration oils – they come into intensive contact in the refrigerant circuit. Mixed together they are essential to the functioning of, for example, a refrigerator. In much simpler terms, this working relationship functions as follows: the refrigerant cools, while the oil lubricates and protects against wear. One problem persists from the very beginning: if the refrigerant escapes, it can have a negative impact on the climate. For decades, the search for climate-friendly refrigerants has therefore led to the development of many new products. And each of these needs its own compatible oil.

As a manufacturer of refrigeration oils, FUCHS has for decades found itself confronted by a steady stream of new developments and new legal specifications in terms of climate protection. “That began in the mid-80s,” remembers Wolfgang Bock, Head of Product Management for Industrial Oil at FUCHS SCHMIERSTOFFE GMBH in Mannheim. “Back then, the sector was facing a turning point. After CFCs were banned due to their ozone-depleting effects, alternatives had to be developed. Fluorinated refrigerants – known as HFCs – were created. They required new, customized, ester-based refrigeration oils. These new refrigerants were adopted worldwide very quickly. At that time, we became one of the world market leaders in the area of climate-friendly refrigeration oils, with an extensive product portfolio of fully synthetic polyester-based refrigeration oils.”

New refrigerants – new oils

However, another transition is already taking place. The HFC refrigerants that were introduced are being replaced by natural refrigerants such as carbon dioxide (CO₂), hydrocarbon refrigerants (e.g. propane, propene) and ammonia (NH₃). In addition, fluorinated olefins (HFO) will be used in many applications in the future. Why?

The HFCs did not do any more damage to the ozone layer, but they did have a negative impact on global warming. Their global warming potential (GWP) is high, at between 1,000 and 4,000. Fluorinated olefins have a significantly lower GWP. The existing refrigeration oils have to be tested for compatibility and miscibility with these new substances and their compounds, and if necessary, adjusted. This creates new market opportunities for lubricant manufacturers such as FUCHS.

Natural refrigerants such as CO₂ and ammonia also need an optimal refrigeration oil. “Some special products from our RENISO C range work very well in conjunction with the refrigerant CO₂,” says Wolfgang Bock and adds: “Generally speaking, you have to keep cool and maintain a clear focus to make sure that you do not lose sight of the big picture.”

The right refrigeration oil for the respective refrigerant is so important because both have a direct impact on the compressor mechanism, the “driving force” in the refrigerant circuit. A suitable refrigeration oil forms a homogeneous mixture with the respective refrigerant and provides the compressor’s moving parts with reliable protection against wear. It has to demonstrate a defined viscosity and should not be too viscous because without the corresponding fluidity, it will be unable to move properly at low temperatures through the refrigerant circuit and disturb operation of the refrigerating unit.

Advice for all events

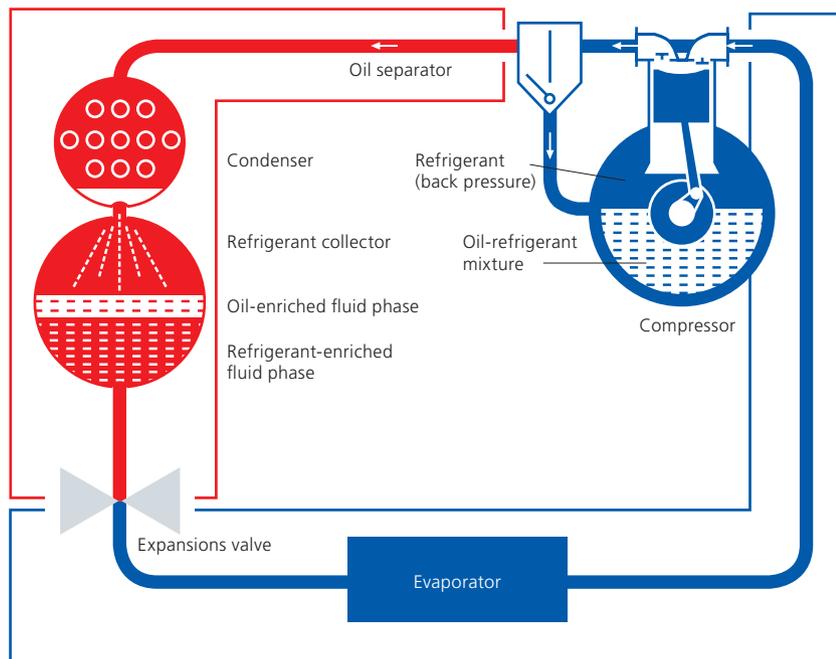
The Research Council for Refrigeration Technology was founded in 1957 for fundamental developments in the area of refrigeration and was accepted into the German Federation of Industrial Research Associations in 1959. Members of the research council include plant manufacturers and operators, research institutions, industry associations, manufacturers of refrigerant compressors, components and refrigerants, as well as lubricant manufacturers such as FUCHS. The Research Council for Refrigeration Technology promotes technical and scientific research on refrigeration and heat pump technologies and their impact in practical applications. “For a company such as FUCHS, active participation in the Research Council for Refrigeration Technology is a matter of course,” says Wolfgang Bock, who is also Chairman of the Research Council for Refrigeration Technology Executive Board. “For us, it was always a matter of innovative developments. And where, if not in a research association with all those involved sitting at the same table, can future technologies be implemented quickly and efficiently?,” adds Christian Puhl, Product Manager and Application Engineer for Refrigeration Oils at FUCHS.

“The research required for refrigeration and heat pump technologies has, in particular, developed in such a way that new technologies and therefore new components and operating materials are in demand due to the current legislation. There is also a specific need for research and development in the areas of commercial, industrial and transport refrigeration, and in heat pump and low-temperature technologies,” explains Dr. Karin Jahn, CEO of the Research Council for Refrigeration Technology. “The research council members are working on these issues together within the framework of joint industrial research. Each member company has the opportunity here to introduce proposals for a specific project. The research advisory board, in which FUCHS is represented by Christian Puhl as an expert, is responsible for implementation.” The issue of refrigeration oils is an important aspect of almost all projects, not least thanks to FUCHS’ intensive involvement. This is because a refrigerant circuit does not work without a suitable oil. Refrigerant and lubricant have to be perfectly coordinated to ensure chemical compatibility. This also enables refrigeration oils to make an important contribution to climate protection and energy efficiency.

Refrigerant circuit

The figure shows the refrigeration oil in the compressor and the remaining components from the refrigerant circuit

Warm part of the circuit



Cold part of the circuit

Challenges for specialists

The requirements of refrigeration oils are therefore clearly defined, which is precisely why FUCHS is working intensively in the Research Council for Refrigeration Technology. Mutual exchanges between experts are what will drive innovation extremely fast. This is important because new developments and legal requirements that are appearing all the time call for ever-faster reactions. "The sector has for some time found itself confronted by a number of new refrigerants," says Dr. Karin Jahn. "Companies such as FUCHS constantly have to readjust to

this and develop new, compatible oils. There is no definitive clarification on which refrigerant will ultimately be used for each application." Whether in refrigerated counters in supermarkets, in air conditioning systems or in the refrigerator, each application brings with it new requirements and can be operated using various refrigerants. The oil in turn has to be specifically adapted to requirements and refrigerants. No simple undertaking, "but we are working on it," says Wolfgang Bock. "FUCHS is tackling these challenges and is working flat out to find new solutions." FUCHS refrigeration oils are therefore always the first choice. ■

Next Generation

What are you working on and where do you see your work taking you three years from now? We asked this very question to four of our employees from around the world – and we received some fascinating answers. So let's jump forward in time to the year 2021!

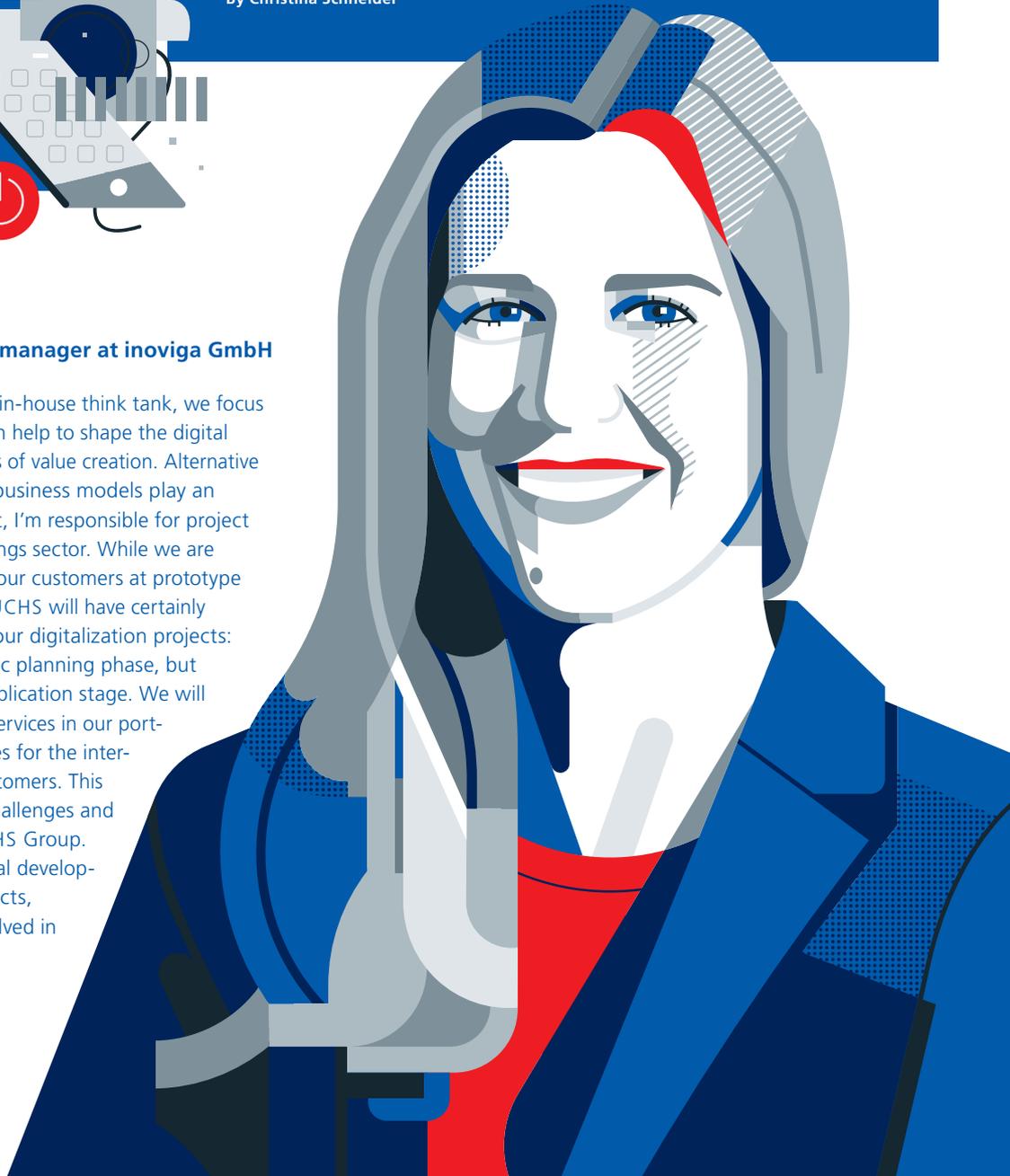
By Christina Schneider



Celina Pfeiffer

26, Internet of Things project manager at inoviga GmbH

“At inoviga GmbH, the company’s in-house think tank, we focus on the question of how FUCHS can help to shape the digital transformation in the various stages of value creation. Alternative or innovative digitally supported business models play an important role here. In this context, I’m responsible for project management in the Internet of Things sector. While we are still testing various initiatives with our customers at prototype level today, in three years, we as FUCHS will have certainly advanced a long way in terms of our digitalization projects: They’ll no longer be in the strategic planning phase, but rather well into the operational application stage. We will then have some additional digital services in our portfolio that will open up new avenues for the interaction between FUCHS and its customers. This will result in a whole new set of challenges and responsibilities for the entire FUCHS Group. I can well imagine my own personal development running parallel to our projects, enabling me to become more involved in operational-oriented tasks.”



Dr. Na Liu

31, Research and Development, FUCHS USA

“In 2021, just like today, I’ll still be developing innovative products in the lubricating grease sector. That said, data analysis skills will become increasingly important here. So over the next three years, I’ll be promoting the use of data analysis processes and predictive modeling, both in my own projects and those of colleagues in my team, to ensure that FUCHS is well positioned in this highly competitive market.”





Dr. Scheghajegh Kord

34, global key account manager,
FUCHS Germany

“Even now, I’m on the lookout for trends – and that’s something that won’t have changed in three years’ time. As an international key account manager, I want to identify early on what will be important in the future and promote global cooperation on this within the company. The next few years – including 2021 – will undoubtedly be dominated by the challenges in the fields of e-mobility, hybrid drives, autonomous driving and sustainability. To overcome these, it’s important for the company to be well networked on a global scale. And as a technology partner to our customers, we have to work together with them to find solutions. Another trend we will see are globally available products, something that our customers will need more and more. This is why we’ll be working on global product strategies with sustainable, holistic solutions. This is also why expanding the FUCHS network is so important for the future. Communication is key, which is why we’ll be making intensive use of new communication tools.”

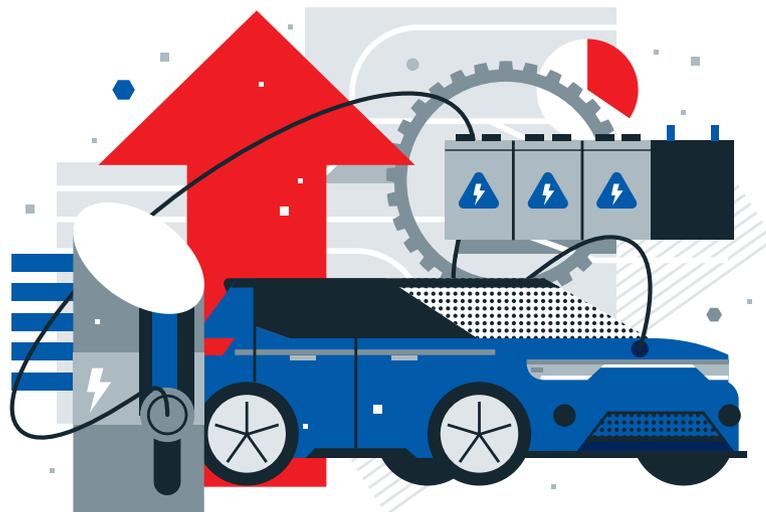
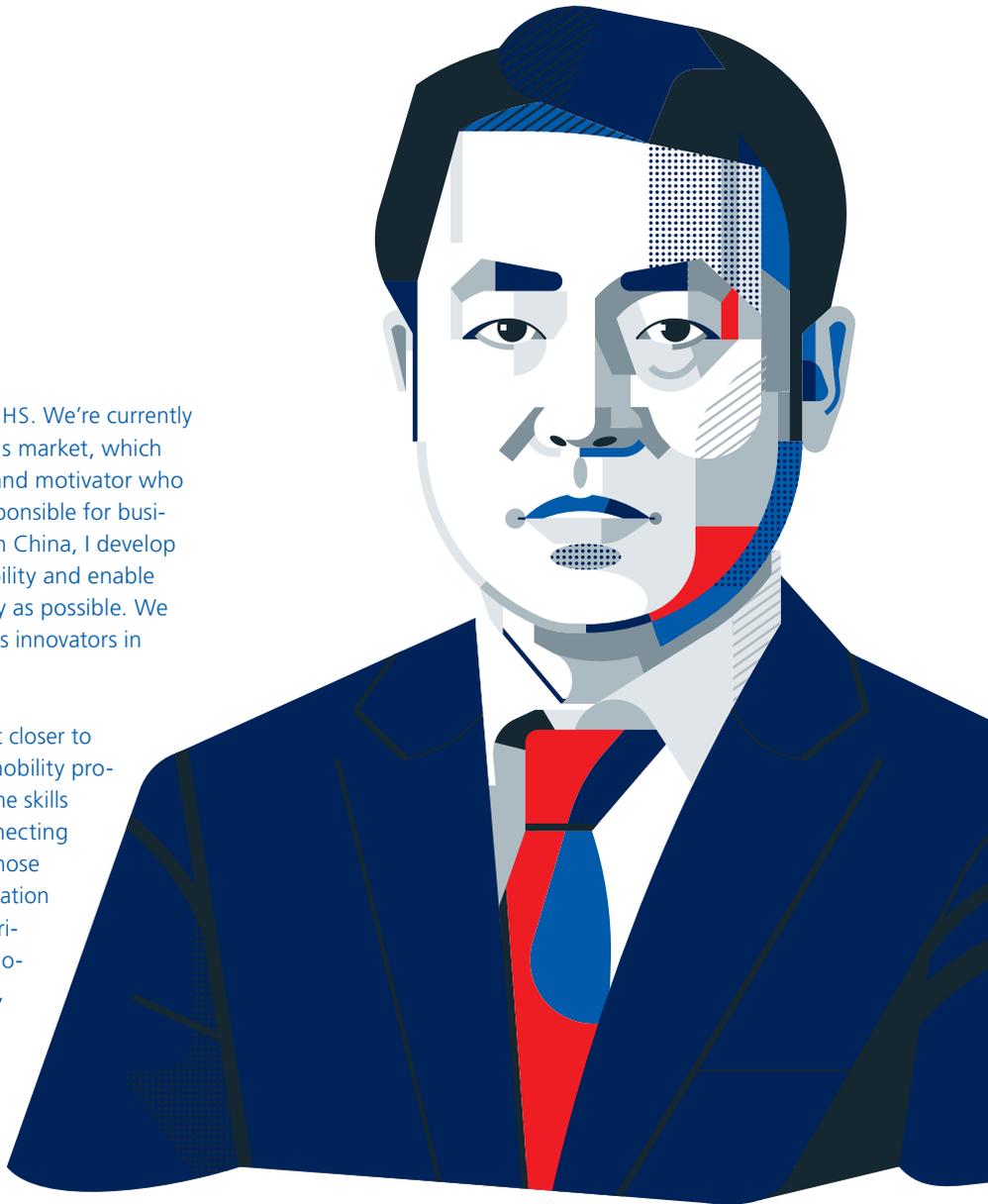


Zhao Jun,

36, e-mobility business development manager, FUCHS China

“In 2021, e-mobility will be old news for FUCHS. We’re currently in the process of positioning ourselves in this market, which is why I consider myself a “future-shaper” and motivator who helps to achieve this goal. As the person responsible for business development in the e-mobility sector in China, I develop strategies to tackle the challenges of e-mobility and enable us as a team to reach our goals as efficiently as possible. We ultimately want to live up to our reputation as innovators in the e-mobility sector.

Three years from now, we’ll definitely be a lot closer to reaching our goal of having a dedicated e-mobility product line. To achieve this, I want to connect the skills of all relevant colleagues and partners, connecting experts from lubricant manufacturers with those from e-mobility applications, R&D with application engineering, product management with distribution. The close relationship between developers and manufacturers of electric drivetrains, motors and OEMs will enable us to develop our skills quickly.”



FACTS AND FIGURES

Brief profile

Holding company: FUCHS PETROLUB SE, headquartered in Mannheim, Germany. World's largest independent lubricant manufacturer with more than 100,000 customers, including automotive suppliers, OEMs, and companies from the mechanical engineering, metalworking, mining, aerospace, power generation, transport, agriculture and forestry industries.

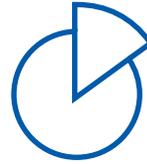
Founded: 1931

Employees: More than 5,000, of which more than 400 in research and development (R&D)

Locations: 58 operating companies and 33 production plants in over 45 countries

Products: A full range of more than 10,000 lubricants and related specialties for hundreds of applications in the key automotive, industrial, metalworking, special applications, lubricating greases and services categories.

FUCHS lubricants meet the highest quality standards and stand for performance and sustainability, safety and reliability, efficiency and cost savings.



EBIT €383 million
14.9% of sales revenues



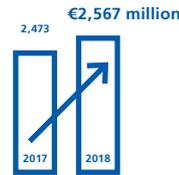
Dividend €0.95
per preference share



R & D expenses
€52 million



5,446 employees
(+256)



Sales +4%



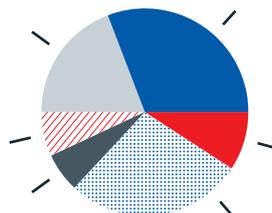
Earnings per preference share €2.07

Breakdown of Group sales revenues by customer sector

Manufacturing industry (including chemicals production)* 19%

Engineering 7%

Agriculture and construction 6%



Automotive industry (vehicle manufacturing and components) 31%

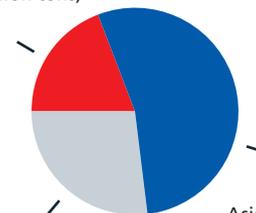
Energy and mining 9%

Trade, transport and services 28%

Regional breakdown of the global lubricant market

Europe 19% (6.9 million tons)

North and South America 27% (9.9 million tons)



Asia-Pacific and rest of the world 54% (19.6 million tons)

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

Imprint

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Composition

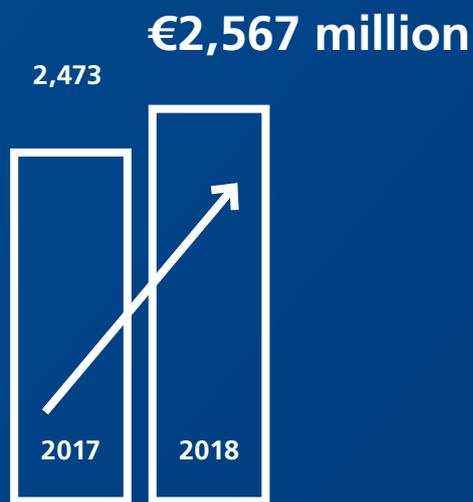
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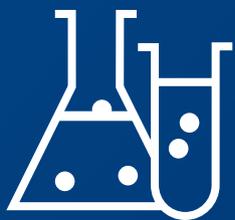
2018 in 18 seconds



Sales + 4%



EBIT €383 million
14.9% of sales



R & D expenses
€52 million



5,446 employees
(+ 256)

1

To our shareholders

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Financial Report

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4

Further Information

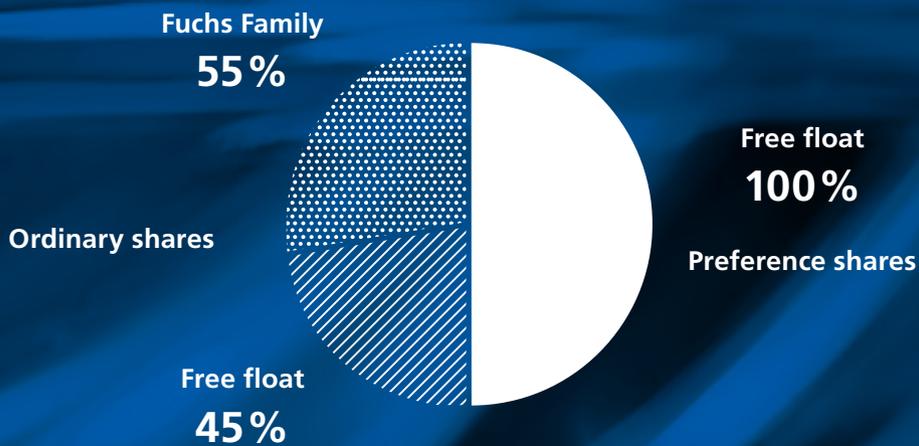
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Front cover:
FUCHS at a glance
Group companies and production locations

Back cover:
Ten-year overview
Financial calendar



To our shareholders



Dividend €0.95
per preference share

Earnings per
preference share

€2.07



Stefan Fuchs,
Chairman of the Executive Board

1.1 Letter to our shareholders

Dear shareholders,

The high organic growth in our three global regions weakened over the course of the year. After negative currency effects, in particular in the first half of the year, we achieved sales revenues of €2.6 billion. The record result of the previous year was exceeded, and dividend payments as well as the high capital expenditures were financed from the cash flow. In view of our balance sheet and with confidence in our future, the Executive Board and the Supervisory Board propose to you the 17th consecutive dividend increase.

Organic growth in sales revenues of 7% after 9% in the previous year shows the positive impulses of our growth initiative. Due to increasing raw material costs, changes in mix and planned increases in fixed costs in connection with the expansion of our business, EBIT not including the one-off effect from the sale of the 50% share in a Swiss sales joint venture is at the previous year's level. Given a decrease in tax expense, earnings after tax increased by 7% to €288 million.

Our growth initiative is making progress. In the IT area, forces were bundled and both global and local resources were created to promptly process a large number of projects. The high capital expenditures were continued on a consistent basis. For example, the new plant in Beresfield, Australia, and the grease plant in Isando, South Africa, were opened in 2018. Other focal points included the expansion at FUCHS LUBRITECH in Kaiserslautern, the construction of the new plant in Wujiang, China, and the modernization of the Chicago site. With the acquisition of two plots of land at our home location in Mannheim, we set the course for urgently needed office and warehouse space.

With FUCHS2025, we have started a strategy and organizational change process. To accompany this, we adjusted the allocation of responsibilities of the Executive Board. In addition to Asia and industrial lubricants, Dr. Reister will assume responsibility for the region North and South America. Dr. Rheinboldt is then responsible for Europe including the Middle East and Africa as well as for our global LUBRITECH business. All IT activities are bundled under the responsibility of Ms. Steinert. FUCHS2025 deals with the strategy for the next seven years, an adaptation of culture and a process of organizational change. With sales revenues of €2.6 billion, plus sales revenues of our at equity participations in the Middle East and Turkey, we have reached a size where we need more global standards and seek more effective cooperation of our organization with countries, divisions and functions. The "bottom-up" strategy process is managed globally and helps us, in particular to align our resources for further profitable growth. Customer needs are becoming increasingly global and our markets are changing at a rapid pace. We are actively shaping our future and making FUCHS weatherproof for the future in this exciting phase.



We are planning further increases in sales revenues and record capital expenditures in 2019. Due to the lack of the one-off effect of 2018 and increased up-front costs for further growth, earnings will not reach the comparable previous year's level. The focus of the capital expenditures is on China, the US, Germany and Sweden. We will also continue to look for suitable acquisition opportunities. The economic outlook is gloomy, particularly due to the trade conflicts between the US and China, but also the impending Brexit.

We are pleased that with an orderly transition on the Supervisory Board we have stability in this important corporate body and have once again been able to win recognized entrepreneurial personalities for this task. I would already like to thank Dr. Jürgen Hambrecht for his outstanding support and cooperation over the last eight years.

On behalf of the Executive Board, I would like to thank you, the shareholders of FUCHS PETROLUB SE, for your trust in our company. I would like to thank our global team for their excellent work with a large number of projects in the past year.

Mannheim, March 20, 2019

A handwritten signature in black ink, appearing to read 'Stefan Fuchs', with a stylized flourish at the end.

Stefan Fuchs

Chairman of the Executive Board

1.1 Letter to our shareholders



1.2 Organization

→ **133** Executive Bodies

The Executive Board



Dr. Ralph Rheinboldt

Dr. Lutz Lindemann



Stefan Fuchs, Chairman

Dagmar Steinert

Dr. Timo Reister

Group Management Committee

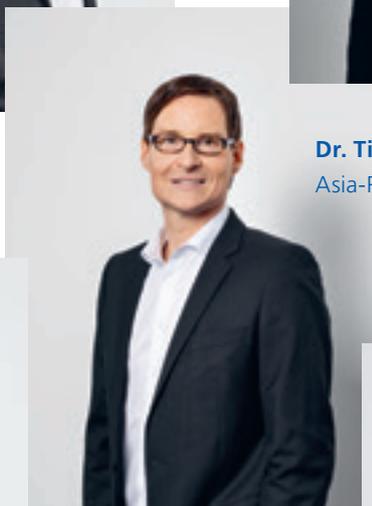
Dr. Ralph Rheinboldt
Europe



Alf Untersteller
Middle East and Africa



Dr. Timo Reister
Asia-Pacific



Carsten Meyer
OEM and
Mining Division



Stefan Fuchs
CEO





Dagmar Steinert
CFO



Klaus Hartig
East Asia



Stefan Knapp
Germany and
Benelux



Bernhard Biehl
LUBRITECH Division



Dr. Lutz Lindemann
CTO



Keith Brewer
North and South America

1.3 Report of the Supervisory Board



Dr. Jürgen Hambrecht,
Chairman of the Supervisory Board

Dear shareholders,

The FUCHS Group continued its growth in the financial year 2018 and could again exceed the record level of the previous year with sales revenue of €2.6 billion. The company remains solidly financed.

Work performed by the Executive Board and Supervisory Board

In financial year 2018, the Supervisory Board again performed its advisory and monitoring duties with great care in accordance with the requirements of law, the company's Articles of Association, the German Corporate Governance Code and its rules of procedure.

The Supervisory Board and the Executive Board continued their full and effective cooperation in the financial year 2018. The Chairman of the Executive Board regularly and immediately informed the Chairman of the Supervisory Board of all significant and important events. In addition to this, the Supervisory Board and Executive Board also remained in close contact outside scheduled meetings to ensure a constant exchange of information and opinions.

In its December 2018 meeting, the Supervisory Board also examined the efficiency of its own activities and did not determine any significant need for improvement in this regard. The Supervisory Board has an appropriate number of independent members within the meaning of number 5.4.2 of the German Corporate Governance Code. No conflicts of interest arose either in the case of the Executive Board members or Supervisory Board members in the reporting period.

Reports and board meetings

There were five meetings of the Supervisory Board in 2018 in which, with one exception, all of the members of the Supervisory Board participated. The Supervisory Board was regularly, promptly, and comprehensively informed by the Executive Board, both in writing and orally, about the company's corporate policy, business development, profitability, liquidity and risk situation, and on all relevant questions regarding strategic advancements in accordance with the duties set out in the rules of procedure. Discussions also regularly focused on reports from the Committees as well as 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.

In the balance sheet meeting on March 20, 2018, 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 2018 of FUCHS PETROLUB SE were also approved in this meeting. At this meeting, the Supervisory Board also decided to appoint the Executive Board members Dagmar Steinert and Drs. Lutz Lindemann, Timo Reister and Ralph Rheinboldt for another period of five years with effect from January 1, 2019, and to conclude new Executive Board contracts for each of these members for the period from January 1, 2019, to December 31, 2023. Finally, the Supervisory Board informed itself in detail about the aspects of sustainability of relevance to the company.

In the meeting held immediately before the Annual General Meeting on May 8, 2018, areas of focus were the report by the Executive Board on the current business performance of the Group after the end of the first quarter, investment and acquisition projects and the implementation of the General Data Protection Regulation.

The meeting on July 18, 2018 took place at the headquarters of FUCHS LUBRITECH GMBH in Kaiserslautern. In particular, the Supervisory Board addressed the half-year financial report, the business performance of the Group and investment and acquisition projects. It obtained information on innovation within the company and the development of LUBRITECH's global business.

The key topics of the meeting on October 10, 2018, were the competitive situation and the opportunities and risks associated with the continuing digitalization. The Supervisory Board also agreed to the changes of the Executive Board's allocation of responsibilities.

In the meeting held on December 10, 2018, the Supervisory Board examined the position of the Group, the budget for 2019 including the investment budget and looked at acquisition-related topics. It informed itself about the opportunity and risk management, the results and recommendations of Internal Audit and the 2019 audit plan. The Board also dealt with the integral IT strategy, the possible consequences of the Brexit as well as with compliance and the company's development in North America. It defined the performance factor for calculating the variable remuneration of the Executive Board members for the financial year 2018 based on the target achievement determined by the Personnel Committee. Finally, the Supervisory Board dealt with the results of the audit of the efficiency of its work and approved the Declaration of Compliance 2018 with the German Corporate Governance Code.

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 six meetings in the reporting year. The CFO and heads of the Finance and Controlling and the Accounting departments regularly attended the meetings. The auditor was present at three meetings. The committee focused on the annual financial statements of FUCHS PETROLUB SE and the consolidated financial statements alongside the combined management report, the non-financial declaration, the monitoring of the financial accounting process, and the effectiveness of the internal control system, the risk management system, and the activities of Internal Audit.

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

The **Personnel Committee** advises the Supervisory Board on personnel matters pertaining to the Executive Board and prepares its decisions. There were three meetings in the reporting year. In the meeting on March 20, 2018, the committee dealt in particular with the reappointment of the Executive Board members and the conclusion of new Executive Board contracts of employment. In the meeting on October 10, 2018, the committee discussed individual elements of the variable remuneration for the current year and made the regular adjustment to pension commitments for former Executive Board members. It also approved the new allocation of responsibilities for the Executive Board. In its meeting on December 9, the committee discussed the appropriateness of individual Executive Board remuneration on the basis of a horizontal comparison. It approved a proposal for the levels of attainment for the financial year 2018 on the basis of which the Supervisory Board sets the performance factor for Executive Board members' variable remuneration. The committee also decided to increase the annual payments for Dr. Reister's and Ms. Steinert's pension provision schemes by €100,000 each per year from 2019.

The **Nomination Committee** held its only meeting in the reporting year on December 9, 2018, when it dealt with the succession planning for two members of the Supervisory Board. Dr. Hambrecht intends to resign from the Board at the end of the ordinary Annual General Meeting on May 7, 2019. The Nomination Committee has decided to propose Dr. Kurt Bock, former CEO of BASF SE, to the Supervisory Board as his successor for election by the Annual General Meeting. Dr. Schipporeit will resign as planned from the Board in 2020 at the end of the ordinary Annual General Meeting. The committee has proposed Dr. Christoph Loos, Chairman of the Group Management of HILTI AG, as his successor to the Supervisory Board. The Supervisory Board will submit these nominations to the Annual General Meeting at the appropriate time in each case.

Overview of members' attendance at each meeting in the financial year 2018

Responsibilities	Members	Attendance / number of meetings
Supervisory Board	Dr. Jürgen Hambrecht (Chairman)	4/4
	Dr. Erhard Schipporeit (Deputy Chairman, financial expert)	4/4
	Dr. Susanne Fuchs	4/4
	Ingeborg Neumann (financial expert)	3/4
	Horst Münkler	4/4
	Lars-Eric Reinert	4/4
Personnel Committee	Dr. Jürgen Hambrecht (Chairman)	3/3
	Dr. Susanne Fuchs	3/3
	Dr. Erhard Schipporeit	3/3
Audit Committee	Dr. Erhard Schipporeit (Chairman, financial expert)	6/6
	Dr. Susanne Fuchs	6/6
	Ingeborg Neumann (financial expert)	6/6
Nomination Committee	Dr. Jürgen Hambrecht (Chairman)	1/1
	Dr. Susanne Fuchs	1/1
	Dr. Erhard Schipporeit	1/1
	Ingeborg Neumann	1/1

Audit of annual and consolidated financial statements

As per resolution of the Annual General Meeting of May 8, 2018, the Audit Committee commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (PwC), to audit the 2018 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 2018 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 2018. 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 12, 2019, as well as in the Supervisory Board's balance sheet meeting on March 19, 2019. The auditor took part in both meetings. The auditor reported on the main findings of the audit, and was available to answer additional questions and provide extra information. The Supervisory Board acknowledged and approved the results of the audit. There are no objections to be 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 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 entire FUCHS Group and the employee representatives for their dedicated commitment, personal contributions and constructive cooperation for the benefit of the company.

Mannheim, March 19, 2019

The Supervisory Board



Dr. Jürgen Hambrecht
Chairman of the Supervisory Board

1.4 FUCHS on the capital market

FUCHS shares – basic information

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. Since September 2018 the MDAX comprises the 60 largest listed companies in Germany below the DAX. Its composition is based on fixed selection criteria. In addition to listing in the Prime Standard and a free float of more than 10%, criteria for membership in the index are market capitalization of the free float and exchange turnover (liquidity). The leading German indices were reformed in September 2018. Technology companies listed in the TecDAX can now be listed in addition in the DAX, MDAX or SDAX. As part of the reform, the number of stocks listed in the MDAX was increased from 50 to 60 among other things. This has led to a regrouping of companies listed in the MDAX.

At the end of 2018, the market capitalization of the preference shares was €2.5 billion (3.1), which put FUCHS in 34th (25) position in the MDAX with a weighting of 1.19% (1.48). In terms of liquidity, the preference share ranked 57 (41) in the MDAX.

The international significance of the FUCHS preference shares was also reflected by the fact that they are included in the STOXX Europe 600, which lists the 600 largest companies from 17 European countries.

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

Overall development on the German stock markets

At the beginning of 2018, the capital markets continued their positive development of the previous year. However, over the further course of the year, in particular, concerns of a possible turnaround in interest rates, looming trade conflicts and the scandal surrounding manipulated exhaust emissions in the German automotive industry led to a declining development of the DAX and the MDAX.

In January, both the DAX and the MDAX reached all-time highs, at 13,597 and 27,525 points respectively. Subsequently, both indices suffered sharp falls but stabilized in the following months. Following a further negative development halfway through the year, the MDAX recovered once again, while the DAX continued to soften slightly until October when both indices dropped sharply. Despite brief periods of recovery, both indices subsequently continued their downward trend until the end of the year. The DAX and the MDAX hit their annual lows, at 10,279 and 21,161 points respectively on December 27, 2018 and closed on December 28, 2018, at 10,559 (12,918) and 21,588 points (27,027) respectively. This equates to a fall year-on-year of 18.3% for Germany's leading index and 17.6% for the MDAX.

Performance of FUCHS shares

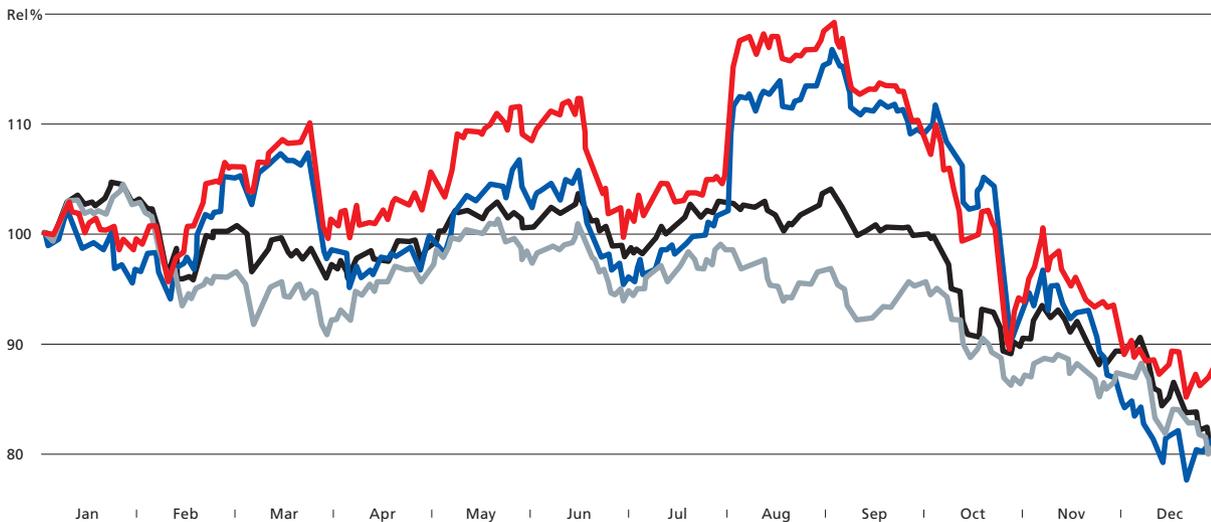
While the market performed clearly negatively over the year, FUCHS shares lost less ground. Both preference and ordinary shares slightly underperformed the MDAX in the first few weeks of the year but showed a significantly better development subsequently. FUCHS shares remained well above the market level until the end of March 2018. On publication of the annual financial statements for the financial year 2017 and the outlook for 2018, FUCHS shares also suffered a correction. Subsequently, the preference shares tracked the performance of the MDAX, while the ordinary shares did significantly better. At the end of July, both share classes

Basic share information

	Ordinary share	Preference share
SECURITY ID NO.	WKN 579040	WKN 579043
ISIN	DE0005790406	DE0005790430
Ticker	FPE	FPE3
Trading segments	Regulated market/Prime Standard	Regulated market/Prime Standard
Trading venues	XETRA and all German regional stock exchanges	XETRA and all German regional stock exchanges
Selected indices	DAXplus Family, Classic All Share, Prime All Share	MDAX, CDAX, HDAX, Classic All Share, Prime All Share, DAX International 100, STOXX Europe 600

Performance* of ordinary and preference shares in comparison with DAX and MDAX

(January 1 – December 31, 2018)



■ Preference share ■ Ordinary share ■ DAX ■ MDAX

* Price trend including dividends.

rose sharply, especially in comparison with the MDAX, posting their highest prices in summer. The FUCHS ordinary share peaked at €47.25 on August 30, 2018, as did the FUCHS preference share, at €51.20. The comparatively good performance of both FUCHS share classes continued until the end of October. Following the adjustment of the earnings forecast of the current financial year caused by the difficult situation in the automotive sector, they softened significantly, as did the overall market, for which the environment also deteriorated. Both share classes reached their annual lows on December 17, 2018. The FUCHS ordinary share quoted at €33.80 and the FUCHS preference share at €34.06.

The ordinary shares closed at €35.00 (40.37) in XETRA trading on December 28, 2018, down 13.3% on the price at the end of 2017. The preference share closed the year at €35.98 (44.25). This equates to a fall of 18.7% in the financial year 2018. Assuming a reinvestment of the dividend paid, the return was – 11.5% for ordinary shares and – 17.0% for preference shares in 2018 as a whole.

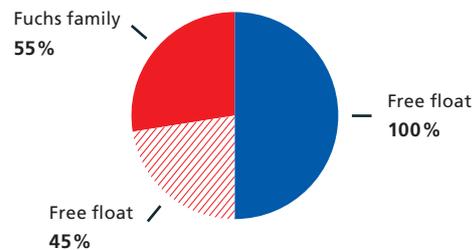
Stable shareholder structure

FUCHS PETROLUB SE's issued capital of €139 million is divided into 69,500,000 ordinary shares and 69,500,000

preference shares with a nominal value of €1.00 per share. The Fuchs Family holds 55% of the ordinary shares as at the end of the 2018 reporting period. The preference shares were entirely in free float.

Shareholder structure as at December 31, 2018

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



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.

Voting rights disclosures

In January 2018, a notification of voting rights was received from Mawer Investment Ltd., Canada. The company informed us that it exceeded the 5% threshold with 5.02% of voting rights. Furthermore, there was still a voting rights disclosure from DWS Investment, Germany, dated December 15, 2018, stating that it holds 5.2% of ordinary shares at the end of the 2018 reporting period.

→ www.fuchs.com/votingrightdisclosures

Annual General Meeting 2018

FUCHS PETROLUB SE's Annual General Meeting took place in Mannheim on May 8, 2018. 81.4% of the share capital secured by ordinary shares and 3.7% of the share capital secured by preference shares was represented there. The shareholders in attendance approved the proposal by the Executive Board and the Supervisory Board, and resolved a dividend of €0.90 (0.88) per ordinary share and €0.91 (0.89) per preference share. A total of €126 million (123) was therefore distributed to the shareholders of FUCHS. This represents a payout ratio of 47% (47) of the earnings of FUCHS PETROLUB SE shareholders. The management's other proposals were accepted by a clear majority of the shareholders. The voting results are available on the FUCHS website.

→ www.fuchs.com/annualmeeting

Analysts

The FUCHS Group was monitored by 18 analysts from different institutions as of the end of 2018:

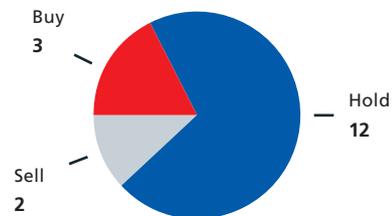
- Baader Bank
- Bankhaus Lampe
- Berenberg Bank
- Commerzbank
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Hauck & Aufhäuser
- HSBC Trinkaus & Burkhardt
- Independent Research
- Kepler Cheuvreux
- LBBW
- MainFirst
- Metzler Equity Research
- NordLB
- Pareto Securities
- UBS
- Warburg Research

The Investor Relations section of the FUCHS website provides detailed information on current analyst recommendations and estimates.

→ www.fuchs.com/analysts

Analyst recommendations*

December 31, 2018



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

Intensive capital market dialog

Open and continuous communication with the capital market is of great importance to FUCHS. We therefore traditionally engage in an intensive dialog with institutional investors, financial analysts and private shareholders, which was continued in 2018.

FUCHS used various channels to keep participants in the capital market informed. For institutional investors and financial analysts, these included the dialog with the Chairman of the Executive Board, the Chief Financial Officer and Investor Relations team at conferences, global roadshows as well as numerous one-on-one conversations by phone or on-site at FUCHS.

FUCHS reported current developments to the business and financial press in press releases and press conferences as well as ad hoc reports. Private investors were in contact with the Investor Relations team by phone as well as by e-mail and obtained information at the Annual General Meeting.

Service for shareholders

Interested parties can register for the FUCHS Group's investor mailing list on the company's website allowing them to receive regular updates about current developments in the Group and all regular publications by e-mail.

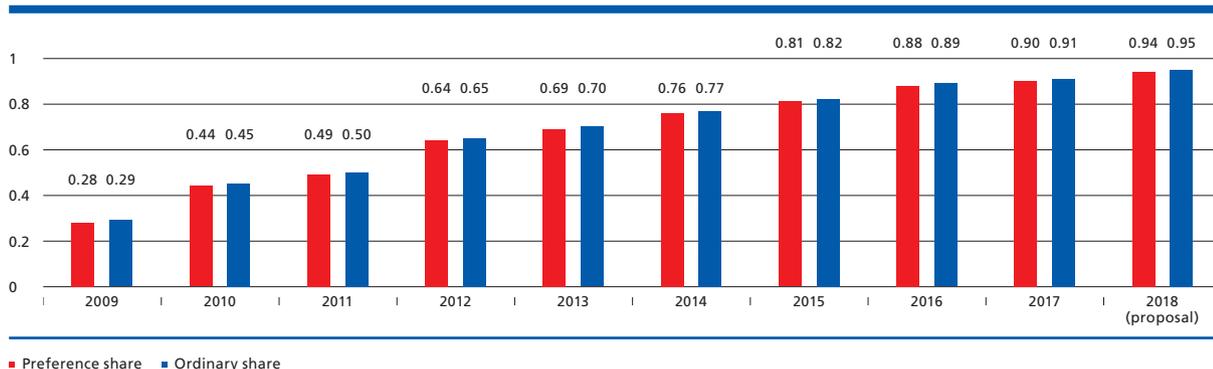
→ www.fuchs.com/ir-orderform

Financial reports and investor presentations, ad hoc disclosures, contact details for Investor Relations, our financial calendar and any further information relevant to the capital market are posted online.

→ www.fuchs.com/group/investorrelations

Dividend development

(in € per share)



Employee shares

FUCHS has been offering employees at its German companies ordinary shares at preferential conditions since 1985. In 2018, each employee had the opportunity to purchase a maximum of 25 shares with a discount of €6.00 per share. 621 employees (534) took advantage of this opportunity. The newly acquired shares have a vesting period of one year.

Dividend proposal

The Executive Board and the Supervisory Board will propose a dividend of €0.94 (0.90) per ordinary share and €0.95 (0.91) per preference share to the Annual General Meeting on May 7, 2019. With a total dividend of €131 million, this represents a distribution ratio of 46% (47). This proposal is in line with our policy of a steadily rising or at least stable dividend. → © Dividend development

Key figures for FUCHS shares

	December 31, 2018		December 31, 2017	
	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 €)	0.94 ⁶	0.95 ⁶	0.90	0.91
Dividend yield (in %) ¹	2.3	2.1	2.2	2.0
Distribution ratio (in %)	46		47	
Earnings per share (in €) ²	2.06	2.07	1.93	1.94
Carrying amount per share (in €) ³	10.5	10.5	9.39	9.39
XETRA closing price (in €)	35.00	35.98	40.37	44.25
XETRA highest price (in €)	47.25	51.20	44.51	51.57
XETRA lowest price (in €)	33.80	34.06	37.02	39.32
XETRA average price (in €)	41.46	44.34	41.27	46.62
Average daily turnover XETRA and Frankfurt				
Shares	27,016	172,062	34,459	154,834
€ thousand	1,120	7,629	1,422	7,218
Market capitalization (in € million) ⁴	4,933		5,881	
Price-to-earnings ratio ⁵	20	21	21	24

¹ Dividend/average share price x 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 7, 2019.

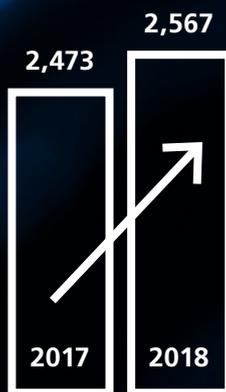


Management Report

FUCHS Value Added at

€251 million

Sales + 4 %



EBIT + 3 %



Combined Management Report¹

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¹ The figures in parentheses refer to the same period of the previous year. Percentages refer to full millions.

2.1 Corporate profile

Business model

LUBRICANTS. 100% focus

FUCHS has been focusing 100% on the development, manufacture and sale of lubricants and related specialties for more than 80 years. With more than 10,000 products, the company offers its customers a full portfolio of lubricants that comply with exacting national and international standards. Positioned close to the market and its customers, the company can respond quickly and flexibly to requirements in a wide variety of application areas. Its product groups can be broken down into automotive – above all oils and greases – and industrial lubricants – particularly oils, metalworking fluids and lubricants for special applications. The product range is rounded off by a comprehensive range of technical and process-related services.

TECHNOLOGY. Holistic solutions

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

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

PEOPLE. Personal commitment

Around 5,500 qualified and specialized employees worldwide are committed to satisfying our customers. Intensive dialog with them and our other business partners based on trusting collaboration is what enables us to always find the optimal, bespoke lubricant solution to meet their individual requirements.

Global customer care through internationality and scale

A strong European market position and an extensive product portfolio form the basis for the business success:

We can be found wherever our customers are. At the end of the reporting period out of 58 operating companies in total, 31 were active in Europe, seven on the American continent and 20 in the region Asia-Pacific, Africa. FUCHS supports globally active customers on new markets, while serving local customers with bespoke solutions.

With its more than 10,000 products, FUCHS not only satisfies the ever more complex specialization requirements of mature markets, but is also able to participate in the growth of developing markets. Diversification across regions and industries helps to balance economic and industry cycles.

Simple Group structure with largely decentralized structure

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

The companies are organized into the three geographical regions of Europe, Asia-Pacific, Africa as well as North and South America, which is reflected in the management and reporting system. Business is generally managed by the local subsidiaries. They direct their own sales activities with the involvement of industry specialists and globally networked product managers, and some of them have their own production and administration functions. Where prudent and feasible, purchasing as well as research and development activities are joined globally in addition to the local presence.

Group strategy

Increase of company value

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

Maintaining the independence of FUCHS PETROLUB SE represents another factor of 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 a stable financial position, which allows a sustainable dividend policy and also creates scope for acquisitions.

Controlling system

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

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 of the variable compensation for 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, the settlement of debts, dividend payments 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.

FUCHS Value Added as the central key performance indicator

FVA, which is based on earnings and capital employed, is the central KPI for the Group. EBIT is a 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 parameter 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 at 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

FUCHS continues to invest in research and development

Research and development (R & D) work at FUCHS PETROLUB SE was influenced by projects with a global focus in the reporting year. Not least because of this, laboratory capacities were significantly expanded. Currently, 523 (487) employees are working on more than 500 projects throughout the world. Research and development expenses increased to €52 million (47) in 2018. In this period, FUCHS has brought a variety of new products to market maturity. A large part of the developments is focused on efficiency gains or direct contributions to sustainability by conserving resources.

FUCHS is facing up to the demanding challenges of electromobility

Automotive manufacturers' increasing focus on electromobility is confronting the automotive supply industry and that includes FUCHS with new challenges. In particular, the changes in the world of the drivetrain are generating additional complex challenges, which need to be mastered with lubricants.

Electric drivetrains are producing new requirements, such as with gears boxes. Gear oils used in electric vehicles have to cope with higher torque values and higher speeds. Speeds in electric drivetrains are higher by a factor of 10–15 than those in traditional drivetrains, which has an immediate impact on the greases for bearing applications. Such high torques cannot be mastered satisfactorily with traditional formulas.

Conductivity is a variable that has not been of particular relevance for lubricants previously. Electrical phenomena occurring in electric drivetrains can impair the service life of the unit. Therefore, the lubricant has the job of mitigating these effects through controlled conductivity.

New opportunities emerge for the FUCHS Group in the quite new and theoretically challenging world of electromobility. Thus, we develop new testing methods and test stands specifically designed to address the issues related to electromobility. FUCHS is also opening up the markets for electromobility in China, America and Europe with a newly created structure. The first FUCHS product from the new generation of the electric drivetrain (E-Driveline) is already being used by a well-known OEM.

Employees

In 2018, the number of employees worldwide increased again and is now just below 5,500. The total headcount has therefore risen by around 1,600 employees since 2008. This growth enables us to develop specific skills and experience required for current and future challenges in the organization. To make these skills available as quickly as possible, new employees are swiftly integrated into the FUCHS culture. We are supported in this by the five values of our mission statement – trust, creating value, respect, reliability and integrity – as well as our leadership principles.

Change in working methods in globalized cooperation

The global, function-based networks, through which more and more employees from all over the world work together on topics relevant to the company, have been developed. In many network groups, key working groups have been established, which handle important issues that are of global relevance for FUCHS. Following the conventional network meetings, these groups continue to work on an international basis using collaborative and digital techniques and achieve results that can be implemented directly within the company. Managers – while respecting our leadership principles and the mission statement – increasingly take on the role of interface managers between specialist departments and business units. This also includes the target-oriented development of communication structures across borders. Managers are responsible for creating an environment that promotes collaborative work and supports each team member in their work. They also inform employees of the requirements due to the increasing complexity of the economy and our growing company and thus assume a structuring role.

Digitalization in the working world

Digitalization which is continually evolving offers a variety of opportunities to promote agile work in a globalized business. The almost nationwide introduction of Skype with professional video equipment at the workplace promotes modern communication and cooperation through tools such as teams as a group work platform.

The digitalization of HR processes that has begun is proceeding as planned and now includes the provision of e-learning pro-

grams on an electronic learning platform that record learning progress alongside the introduction of central organizational and employee master data. In the field of recruitment, we have created the basis for bringing the talent needed into the company faster and more efficiently with the new platform.

Despite very decentralized structures, with each new module of our FUCHS Connect human capital management system, our world is growing closer by making defined processes more globally oriented. Better decisions for target-oriented HR work will be made via efficient reporting and analysis options.

Data protection and data security are always the top priority. Among other things, the equipment with digital communication and working possibilities creates the basis for mobile work; an important opportunity that is frequently sought after by applicants as a means of flexible work. At many locations around the world, work independent of the formal office environment is already part of the corporate culture practiced by managers.

Further strengthening of the employer brand

In 2018, the new employer branding concept was implemented. Presence at trade fairs, job advertisements and information material were designed accordingly. Members of the global HR network have worked intensively to redesign the image as a global employer, ensuring that regional requirements have been taken into account while still achieving a uniform global appearance.

In fall 2018, a key working group of the HR network also developed additional proposals for the ongoing implementation with a focus on the defined target groups. A sub-project will be the active use of “employee stories” to portray the variety of development opportunities within the Group and across borders from the perspective of employees.

Our information events offering career guidance and internships are well received by high school students. They allow them to get a better picture of the training we offer and of our operational procedures.



Our collaboration with colleges and universities was further strengthened to raise awareness of FUCHS as an attractive employer among students, graduates and junior scientists starting out in their careers. We particularly focus on establishing contact with and fostering students who have made exceptional academic achievements. Furthermore, we regularly offer internships, provide support for those writing their bachelor's or master's thesis, and sponsor selected students with scholarships.

A concept similar to that of dual training in Germany was developed together with our subsidiary in South Africa in 2017. The goal is to meet our demands for junior staff locally, and to provide high-quality support for the subsidiary's growth. For this, in 2018 a theoretical and practical advanced training program for technical-chemical professions was established at the Johannesburg and Mannheim sites for the first time. Further training measures are already in the planning and implementation phase for 2019.

Attracting qualified specialists is still a particular challenge on all labor markets, and especially in Europe, India, China and the US. We have therefore made further progress in the development and standardization of the recruitment process. Recruiting was also an important issue again at the global HR Network

Meeting in October 2018. The internal training of our employees responsible for the recruitment process and the improved direct cooperation between local and regional HR managers have helped to strengthen our position significantly. Newer ways of addressing talent in the recruitment market – such as social media recruitment or active sourcing – are being gradually expanded. By using these channels, we ensure that we address a wide range of target groups and can thus promote the recruitment of employees from more different origins, ages and backgrounds better than in the past. The regional HR functions in the Nordic countries, in Central and Eastern Europe, the Middle East, Southeast Asia and the Americas, in particular for countries without direct HR management on site, are a key element for cultivating local job markets. It remains our goal to find the best talents in the respective areas of expertise and to motivate them for FUCHS.

In addition to an attractive working environment and interesting tasks, employees are increasingly looking for positions in companies that operate in a sustainable manner and have an appreciative and collegial culture. FUCHS has very good prerequisites for this which will have to be placed even more prominently in the recruitment process in the future. In addition to external recruitment, it is also important to train suitable specialist staff within the company.

Training

As of December 31, 2018, 82 young people at our German subsidiaries took part in dual training programs. 21 trainees and students on dual training completed their training in the reporting year. Also this year, a FUCHS trainee successfully completed their dual training with the best mark of all the candidates at IHK Rhein-Neckar.

We provide training in seven 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 intern-

ships at our subsidiaries in Germany and abroad. Last year, work placements were arranged at our subsidiaries in countries including the US, Singapore and China. Many of our current top performers are former students, trainees and interns. Encouraging these potential future FUCHS employees is an important investment in our future.

Increased headcount

The FUCHS Group had 5,446 employees as at December 31, 2018, 124 of whom as trainees (5,190 with 130 trainees). The total workforce therefore increased by 256 or 5% year-on-year. The share of women in management positions is 22%. In particular, in the area of management of the local subsidiaries, some positions could be filled with women in recent years.

Geographical workforce structure

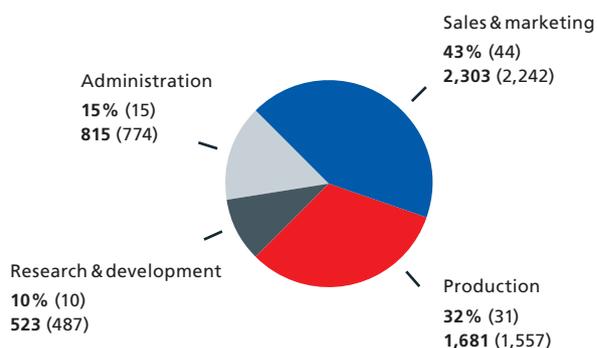
	Dec 31, 2018	in %	Dec 31, 2017	in %
Germany	1,634	30	1,516	29
Other European countries	1,948	36	1,942	37
Asia-Pacific, Africa	1,174	21	1,085	21
North and South America	690	13	647	13
Total	5,446	100	5,190	100

The number of employees in the region Europe rose by 124 (4%), while the region Asia Pacific, Africa added 89 (8%) new employees. In North and South America, the number of employees grew by 43 (7%) as against December 31, 2017.

Most employees work in sales and marketing as well as production, with the distribution across the divisions as a whole being largely equal year-on-year.

Functional workforce structure *

Figures for 2018 (2017)



* Excluding 124 (130) trainees.

2.2 Macroeconomic and sector-specific conditions

Development in 2018 and forecast for 2019*

Slower growth of the global economy

Development of gross domestic product

in %	Forecast 2018	Actual 2018	Forecast 2019
Germany	2.3	1.5	1.3
Eurozone	2.2	1.8	1.6
USA	2.7	2.9	2.5
China	6.6	6.6	6.2
Highly developed countries	2.3	2.3	2.0
Developing and emerging countries	4.9	4.6	4.5
World	3.9	3.7	3.5

Source: International Monetary Fund (IMF)

- In 2018, the global economy grew by 3.7% (3.8); slowdown to 3.5% expected in 2019.
- In 2018, the major countries and regions continued to expand, but momentum slowed in light of higher burden (trade conflicts, Brexit).
- In the euro area, the economy developed weaker than expected, most recently with a significant flattening.
- Growth in China slowed down in the wake of the trade conflict. The annual forecast was still reached, but the industry in particular came to a halt.
- Growth in the US recovered as a result of tax impulses and higher government expenditure and was stronger than expected; investment and industrial production increased sharply.

Steel industry with strong production increase in 2018, but subdued outlook for 2019

Development of crude steel production

in %	Forecast 2018	Actual 2018	Forecast 2019
Germany	0.6	-2.0	1.7
EU	1.4	-0.3	1.7
Asia	1.1	5.6	1.3
North America	1.2	4.1	1.0
World	1.6	4.6	1.4

Sources: World Steel Association, WV Stahl

As a result of the industrial and construction sector, which was still buoyant for a long time in 2018, in the industrialized countries and most of the emerging countries, the global demand for steel grew significantly more strongly than forecasted. According to preliminary information from the World Steel Association (WSA), crude steel production increased sharply in Asia and North America. In the EU and in particular in Germany steel output decreased slightly.

Given the overcapacity and the anticipated slowdown in the global economy accompanied by a reluctance to invest, the outlook for the steel industry is subdued. In contrast construction activities, in particular civil engineering, are supportive. However, construction activity, which is buoyant in many regions, has an impact in particular on civil engineering. According to current forecasts from the WSA, the global crude steel demand is expected to rise very moderately in 2019. Further trade restrictions would have an additional negative impact on development due to the heavy dependency on China (51% of steel production).

Slowing momentum in engineering

Development of engineering sales revenues

in %	Forecast 2018	Actual 2018	Forecast 2019
Germany	3.0	5.0	2.0
Eurozone	3.0	4.0	2.0
China	6.0	2.0	3.0
USA	2.0	5.0	2.0
World	4.0	3.0	2.0

Source: VDMA

According to preliminary estimates by the German Engineering Industry Association (VDMA), growth in global mechanical engineering sales was robust, but lower than forecast due to the very weak sector development in China. In the US and the euro area, in particular in Germany, an unexpectedly strong growth in sales revenues was realized, as many companies continued their investment projects with high capacity utilization and low interest rates. However, due to the weak end of the year, mechanical engineering companies in Germany boosted their production by 2% in real terms.

The VDMA expects a flattening of the pace of expansion in 2019, with the large regions likely to see moderate growth with almost equal growth rates. A good order situation and high

* Forecast data for 2018 as at February 2018, other data as at February 11, 2019.

capacity utilization of industrial capacities form the basis for this. In addition, digitalization is structurally driving investments. However, with an expansion of US trade restrictions and a no-deal Brexit, this subdued positive trend could falter. For 2019, the VDMA is expecting a production increase at German mechanical engineering companies of 2%.

Automotive industry defies external burden at a high level

The global upturn in the automotive industry came to a halt on a high level, muted by uncertainties such as the changes in technology or driving bans and negatively impacted by the US trade restrictions against China. In 2018, the expectation of a slight increase was not achieved. Sales in China decreased for the first time in decades, the US market was only slightly positive and the growth rate in Western Europe remained at zero. The switch to the Worldwide Harmonized Light-Duty Vehicle Test Procedure (WLTP) had a negative impact on the German automotive industry, causing domestic production to fall by 9%. However, with a 5% increase at the foreign locations, their total production remained stable.

In 2019, a moderate growth of 1% is expected for the automotive industry. Economic downturn, technological transformation and trade disputes are slowing down the market. Brexit and possible US restrictions against Europe's carmakers are additional risks. China is expected to recover slightly, while stagnating sales are expected in the US and Western Europe. A slight decrease in sales is forecasted for Germany. However, German car manufacturers are likely to increase production by a good 2% (in Germany: +2%, abroad: +3%).

Development of car sales

in %	Forecast 2018	Actual 2018	Forecast 2019
Germany	0.0	-0.2	-1.0
Europe	1.7	0.0	0.0
China	1.2	-3.8	2.0
North America	2.0	0.5	0.0
World	1.6	0.0	1.0

Sources: Verband der Automobilindustrie (VDA), IHS Markit Automotive

Upturn in the global chemical industry

In 2018, the chemical industry continued to recover stronger than forecasted and at 4.0% (3.9) was above the high level of the previous year. However, under pressure of slumping indus-

trial activity, the buoyant chemical production in China and Europe came to an abrupt halt. The largest increases were generated in Asia (China, South Korea, India). At 3.5%, the US chemical industry increased quickly and in a robust manner. Chemical production in the EU and Germany increased by 2.5%.

For 2019, the prospects for the global chemical industry are positive overall, but are regionally heterogeneous. Overall, the VCI is expecting production to increase at a lower rate than in recent years. The chemical industry in China and India remains the driving forces of the industry with strong growth. In the US and Europe, the VCI expects a slight decline of the growth rate of the year 2018.

Development of chemical production

in %	Forecast 2018	Actual 2018	Forecast 2019
Germany	2.0	2.5	1.5
EU	2.5	2.5	2.0
China	5.5	5.5	5.0
USA	2.0	3.5	2.5
World	3.3	4.0	3.6

Sources: VCI, Cefic

In 2018, global demand for lubricants is growing at a less pronounced rate than in the previous year

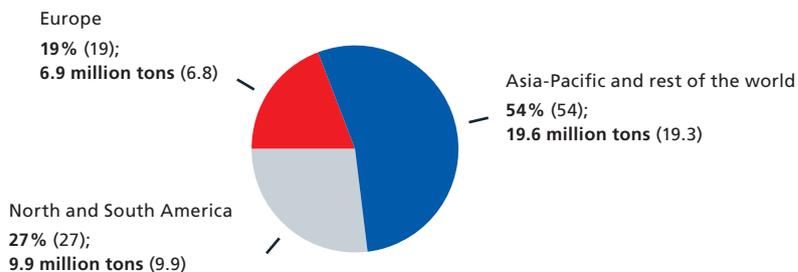
Global demand for lubricants continued to increase for the sixth consecutive year. While the demand in the North America region declined slightly by -0.5%, the demand increased slightly in Europe by 0.2% and in Asia-Pacific by 1.2%. As in the previous year, the main driving forces in Asia were China (+1%) and India, which as the second largest Asian market recorded a growth of 2.5%. The largest South American market Brazil expanded in volume for the first time after four years.

Development of lubricant demand

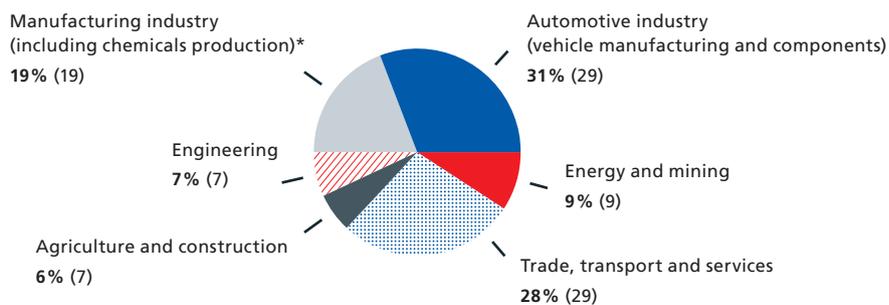
in %	Forecast 2018	Actual 2018	Forecast 2019
Europe	0.5	0.2	0
Asia-Pacific	2.0	1.2	1.0
North America	0.5	-0.5	-1.0
World	1.0	0.7	0.5

Source: Own market analyses

Regional breakdown of the global lubricant market



Breakdown of Group sales revenues by customer sector



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

2.3 Business development in 2018 – forecast comparison

FUCHS PETROLUB largely achieved its goals, including an one-off effect in the financial year 2018.

The most important key performance indicators are detailed below:

- Sales revenues rose by €94 million or 3.8% to €2,567 million.
- EBIT including an one-off effect increased by 2.7% to €383 million.
- FVA at €251 million (250) is at the previous year's level.
- Free cash flow before acquisitions was €147 million (142).

Forecasts given at the beginning of the year were regularly reviewed over the course of the year and amended where necessary.

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

As forecasted in the previous year, the Group grew organically in all regions. As expected, growth was primarily driven by volume. Given the increase in raw material costs, the targeted margin improvement achieved through price and product mix improvements was only partially successful.

In 2018, rising prices for raw materials did not have the same impact in all regions. While Europe compensated for higher raw material costs in the first half of the year with a stronger euro, other regions were confronted with a weaker gross margin development. Overall, the gross margin in the Group decreased and the planned increase in gross profit was not fully achieved despite good volume figures. Furthermore, the cur-

rency translation effect, for which we do not provide a forecast due to a lack of a reliable basis, had a negative effect on sales revenues and gross profit.

Cost increases due to investments in new and existing plants, in additional employees as well as in increased research and development occurred as planned.

As a result of this development, the originally planned increase in EBIT before one-off income from the sale of an at equity share was not achieved due to the weaker gross profit growth. We communicated this in our updated outlook at the time of the publication of the Q3 report.

In a regional comparison, contrary to our original expectations, Europe and not Asia-Pacific, Africa showed the better regional earnings development. This was primarily due to the rising prices for raw materials mentioned above, which had a different impact in connection with the respective regional exchange rate development.

As planned, investments, primarily in property, plant and equipment, reached a record level, but at €121 million did not achieve the originally planned level of around €140 million due to project delays. Accordingly, free cash flow before acquisitions at €147 million was higher than expected (approximately €142 million).

Due to the one-off effect in EBIT, FVA guidance was met. FVA was up €1 million on the previous year while WACC remained unchanged at 10%.

Comparison actual – forecasted business development

Performance indicator	Forecast 2018	Target achievement	Evaluation
		in 2018	
Sales revenues	+3% to +6%	3.8%	Forecast met
	As of October 29, 2018: +3% to +5%	3.8%	Forecast met
	+2% to +4%	2.7%	Forecast met
EBIT	As of October 29, 2018: Before one-off effect at previous year's level (373), including one-off effect (€12 million) increase by 2% to 4%	2.7%	Forecast met
	FVA	At previous year's level (€250 million)	€251 million
Free cash flow before acquisitions	At previous year's level (€142 million)	€147 million	Forecast met

2.4 Group performance and results

Sales revenues (performance)

Regional development of sales revenues by company location

in € million	2018	2017	Organic growth	External growth	Currency translation effects	Total change absolute	Total change in %
Europe	1,546	1,515	51	-7	-13	31	2
Asia-Pacific, Africa	783	733	79	-	-29	50	7
North and South America	409	393	53	-	-37	16	4
Sales revenues before consolidation	2,738	2,641	183	-7	-79	97	4
Consolidation	-171	-168	-3	-	-	-3	-
Total	2,567	2,473	180	-7	-79	94	4

Strong organic growth in sales revenues

In 2018, FUCHS PETROLUB achieved organic growth of 7% or €180 million. As a result of negative currency translation effects of €79 million (3%) and negative external growth of €7 million after the sale of a non-core business in Germany, total growth was 4%.

Growth factors

	in € million	in %
Organic growth	180	7
External growth	-7	-
Effects of currency translation	-79	-3
Growth in sales revenues	94	4

Double-digit organic growth in Asia-Pacific, Africa as well as in North and South America

The Group increased sales revenues significantly, in particular outside Europe. High organic growth rates due to volume increases were achieved primarily by the companies in India (+18%), China (+14%) and North America (+10%).

The companies in Europe also continued to expand their sales in the reporting year, although less dynamically than in the previous year. In particular, in Germany, Poland, Italy and also in the UK they generated significant increases. At €1,546 million (1,515), Europe generated around 56% (57) of total revenues before consolidation.

Due to the growth levels in Asia-Pacific, Africa which have been above average for years, this region now contributes 29% (28)

to Group sales revenues before consolidation. More than half of regional sales revenues are generated in China. In particular in the first half of the year, the companies in China performed very dynamically, while a decline in the demand for cars in China affected their business in the second half of the year. Other key markets in the region are Australia and South Africa. We also achieved significant organic growth in these countries in 2018, but at the same time were affected by significant negative translation effects. The region generated sales revenues of €783 million (733).

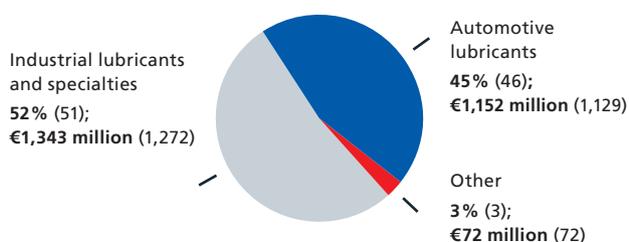
The region North and South America continued its good development of the previous year with double-digit organic growth (+13%). Translated into the Group currency, more than two thirds of the increase were eroded by currency effects (-9%). At €409 million (393), the region still accounts for 15% (15) of total sales revenues before consolidation.

The growing importance of non-European markets is also reflected in the breakdown of sales revenues by customer location. Half of Group sales revenues are generated with customers outside Europe.

Group sales revenues by customer location

in € million	2018	Share in %	2017	Share in %	Change	in %
Europe	1,293	50	1,262	51	31	2
Asia-Pacific, Africa	846	33	800	32	46	6
North and South America	428	17	411	17	17	4
Total	2,567	100	2,473	100	94	4

Breakdown of Group sales revenues by product groups



Results of operations

Group results of operations

in € million	2018	in %	2017	in %	Change
Sales revenues	2,567	100.0	2,473	100.0	94
Cost of sales	-1,668	-65.0	-1,591	-64.3	-77
Gross profit	899	35.0	882	35.7	17
Other function costs	-542	-21.1	-526	-21.3	-16
EBIT before income from companies consolidated at equity	357	13.9	356	14.4	1
Income from companies consolidated at equity	26	1.0	17	0.7	9
EBIT	383	14.9	373	15.1	10
Financial result	-2	-0.1	-2	-0.1	-
Income taxes	-93	-3.6	-102	-4.1	9
Earnings after tax	288	11.2	269	10.9	19

In 2018, the FUCHS Group generated EBIT of €383 million (373), €10 million higher than in the previous year and increased its earnings after tax to €288 million (269). One-off income from the sale of the 50% share in the Swiss sales joint venture in the amount of €12 million had a positive impact on both earnings figures.

Based on an increase in sales revenues of 4%, gross profit was up by 2% or €17 million to €899 million (882). Although higher raw material costs were largely passed on across the Group, the gross margin decreased to 35.0% (35.7) as a result of higher production costs.

Other function costs increased by €16 million or 3%. They amounted to €542 million (526), corresponding to 21.1% (21.3) of sales revenues.

Production and other function costs increased according to plan. This was due to higher depreciation and amortization costs resulting from the commissioning of new plants and facilities in addition to increased employee numbers and inflation-based wage and salary adjustments.

At €357 million (356), EBIT before income from companies consolidated at equity (EBIT before at equity) defined as the balance of gross profit and other function costs is at previous year's level. The margin of EBIT before at equity relative to sales revenues fell to 13.9% (14.4).

Income from companies consolidated at equity of €26 million (17) includes the one-off income of €12 million from the sale of the 50% share in the Swiss sales company. The ongoing difficult economic environment in Saudi Arabia and the weakness of the Turkish currency resulted in declining earnings at our at equity companies.

Thus, EBIT rose by €10 million or 3% to €383 million (373), while earnings after tax were up by €19 million or 7% to €288 million (269). The disproportionate increase in earnings after tax is due to a lower tax rate (income taxes relative to earnings before tax not including income from companies consolidated at equity). The decrease to 26.2% (28.8) is due to lower withholding taxes on dividends among other things.

Based on earnings after tax of €288 million (269), the net profit margin amounts to 11.2% (10.9). Earnings per ordinary and preference share increased by €0.13 or just below 7% to €2.06 (1.93) and €2.07 (1.94).

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

The earnings figures (EBITs) for the previous year reported and commented on below are on a comparable basis, i.e. taking into account the changes made to the internal accounting system in 2018. The figures reported in the previous year and those comparable with the year under review are shown below each other in the segment report.

Europe

Segment information Europe¹

in € million	2018	2017
Sales revenues by company location	1,546	1,515
Organic growth	51 (3%)	101 (7%)
External growth	-7 (-0%)	-
Currency translation effects	-13 (-1%)	-3 (-0%)
EBIT before at equity ²	178	173
At equity income	14	2
Segment earnings (EBIT) ²	192	175
Capital expenditures	63	53
Acquisitions	1	1
Employees as of December 31	3,461	3,349

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

² 2017 comparable.

Growth in sales revenues in Europe continues at a reduced rate

In 2018, the companies in Europe achieved organic growth in sales revenues of 3% or €51 million. The higher growth rates in the previous year were attributable to increases in sales revenues with Group companies in other regions and cannot be repeated. The largest increases were achieved by the companies in Germany, Poland, Italy and the UK. Compared to the previous year, when the increase was based primarily on volume increases, price and product mix improvements were the main drivers in 2018. Combined a small acquisition in Romania and the sale of a non-core business in Germany as of the end of the previous year only had a minor impact (€-7 million). Currency effects of -1% when translating the sales revenues into the Group currency, the euro, resulted from the weakness of the Russian ruble and the Swedish krona. Overall, the region increased its sales revenues by 2% or €31 million to €1,546 million (1,515).

Segment earnings (EBIT) increased to €192 million (175). This includes one-off income of €12 million from the sale of the 50% share in the Swiss sales joint venture. EBIT before at equity increased by €5 million year-on-year to €178 million (173). The increase was primarily generated in Germany and Central and Eastern Europe. The margin of EBIT before at equity relative to sales revenues amounts to 11.5% (11.4).

The region invested €63 million (53) in the reporting year. Two thirds related to the two German locations Mannheim and Kaiserslautern. The focus was on investments in new production facilities, including for the production of specialty greases or for the coating of workpieces with dry lubricants. Furthermore, land was acquired for the construction of a high-bay warehouse and additional office space. The construction of a new plant in Sweden is well underway, construction of a raw material warehouse started in England and a major capex project in the area of production has been completed in Poland. In addition, various replacement investments were made at many locations.

Asia-Pacific, Africa

Segment information Asia-Pacific, Africa¹

in € million	2018	2017
Sales revenues by company location	783	733
Organic growth	79 (11%)	122 (20%)
External growth	-	-
Currency translation effects	-29 (-4%)	-9 (-2%)
EBIT before at equity ²	109	113
At equity income	12	15
Segment earnings (EBIT) ²	121	128
Capital expenditures	35	39
Acquisitions	0	0
Employees as of December 31	1,174	1,085

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

² 2017 comparable.

Asia-Pacific, Africa again region with double-digit growth rates

The Asia-Pacific, Africa region again achieved double-digit growth in the reporting year. In particular, our companies in China once again recorded strong growth with considerable increases in volumes. The strongest driving force was still the business with automotive lubricants, which, however, weakened significantly in the second half of the year. In Australia and South Africa the mining business in particular was expanded further, but the contribution to the Group's overall growth remained limited due to the strong depreciation of the two national currencies. Altogether, sales revenues in the region moved up by €50 million or 7% to €783 million (733).

As a result of higher raw material costs and unfavorable currency effects, at €109 million regional EBIT before at equity remained €4 million below the previous year (113).

The margin of EBIT before at equity relative to sales revenues amounts to 13.9% (15.4).

As in the previous year, the contributions to earnings from companies consolidated at equity were affected by the weak Turkish lira and difficult economic conditions in Saudi Arabia. As a result, at equity income decreased again to €12 million (15). Overall, the region generated EBIT of €121 million (128).

Investments in property, plant and equipment in the region focused primarily on China, where the construction of a new plant in Wujiang continued. The move from the previous location in Shanghai will take place in the first half of 2019.

North and South America

North America continues on growth course

The companies in the US, Canada and Mexico also achieved double-digit sales growth in 2018. The growth rates were even higher in South America. However, when translated into euro,

growth was negative due to the collapse in the exchange rate of the Argentine peso and the Brazilian real. Overall, the region achieved organic growth of 13%. After translation into euro, there was still an increase of 4% or €16 million to €409 million (393). The acquisition of a majority interest in a sales company in Chile to strengthen the specialty business in South America had no significant impact on the growth in the entire region.

Due to higher raw material costs, a changed product mix and planned increases in personnel costs and amortization and depreciation, with which we prepare ourselves for future challenges, the earnings of the companies grew at a lower rate than sales revenues. Due to unfavorable exchange rates, EBIT in the Group currency decreased to €59 million (61). The margin of EBIT before at equity relative to sales revenues fell to 14.4% (15.5).

Investments in non-current assets related in particular to our plants in the US, where extensive modernization and expansion investments were made.

Segment information North and South America¹

in € million	2018	2017
Sales revenues by company location	409	393
Organic growth	53 (13%)	33 (9%)
External growth	–	17 (5%)
Currency translation effects	–37 (–9%)	–6 (–2%)
EBIT before at equity ²	59	61
At equity income	–	–
Segment earnings (EBIT) ²	59	61
Capital expenditures	22	12
Acquisitions	1	0
Employees as of December 31	690	647

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

² 2017 comparable.

2.6 Net assets and financial position

Balance sheet structure

Financial position

	Dec 31, 2018		Dec 31, 2017		Change in € million
	in € million	in %	in € million	in %	
Goodwill	174	9	173	10	1
Other intangible assets	105	6	114	6	-9
Property, plant and equipment	521	28	471	27	50
Other non-current assets	73	3	63	4	10
Non-current assets	873	46	821	47	52
Inventories	410	22	366	21	44
Trade receivables	379	20	374	21	5
Cash and cash equivalents	195	10	161	9	34
Other current assets	34	2	29	2	5
Current assets	1,018	54	930	53	88
Total assets	1,891	100	1,751	100	140

Further increase in total assets

In 2018, the FUCHS Group's total assets increased by 8% to just below €1.9 billion. The main reasons are the investments in property, plant and equipment (+ 11%) due to our growth initiative, higher inventories (+ 12%) for the grown business and higher cash and cash equivalents (+ 21%).

Equity ratio increased again

The Group continues to finance itself primarily with equity which increased by €149 million to €1,456 million (1,307). Despite the higher total assets, the equity ratio increased to 77% (75).

The pension provisions of €25 million (26) primarily concern our companies in Germany and the UK. A large part of pension commitments were fully funded in earlier years. In addition, there are deferred tax liabilities of €34 million (34), mainly due to acquisitions.

Furthermore, the Group finances approximately 12% of its consolidated assets through trade payables. These increased by 4% to €213 million (205) as a result of the expansion of business activities. → [## 40 Capital structure](#)

Net liquidity still at a high level

Net liquidity, i.e. the cash and cash equivalents available after deducting financial liabilities of €4 million (1), totaled €191 million (160) as of the balance sheet date.

NOWC increase

The business model of the FUCHS Group generally results in high inventories. In addition, intercompany supplies from Europe to Asia and the Americas remain high, with long transportation times and high safety stock levels.

In our FVA concept we particularly consider NOWC, calculated as the balance of inventories plus trade receivables minus trade payables.

Overall, NOWC climbed to €576 million (535) as of the end of 2018. Due to a slowdown of business in the last months of the year, inventories could not be sold as planned. As a ratio of annualized sales revenues of the fourth quarter, NOWC amounts to 23.4% (21.9), which represents an average capital tie-up period of 85 days (80).

Capital structure

	Dec 31, 2018		Dec 31, 2017		Change in € million
	in € million	in %	in € million	in %	
Shareholder's equity	1,456	77	1,307	75	149
Pension provisions	25	1	26	2	-1
Deferred taxes	34	2	34	2	-
Other non-current liabilities	7	0	7	0	-
Non-current liabilities	66	3	67	4	-1
Trade payables	213	12	205	11	8
Provisions	24	1	28	2	-4
Financial liabilities	4	0	1	0	3
Other current liabilities	128	7	143	8	-15
Current liabilities	369	20	377	21	-8
Total equity and liabilities	1,891	100	1,751	100	140

Use of capital employed*

in € million	2018	2017	Change absolute	Change in %
Property, plant and equipment*	491	443	48	11
Intangible assets*	282	303	-21	-7
Net operating working capital (NOWC)*	563	521	42	8
	1,336	1,267	69	5
Other items*	-19	-40	21	-
Capital employed*	1,317	1,227	90	7

* Average figures, each based on five quarterly values.

The FUCHS Group's capital employed primarily consists of property, plant and equipment (37%), intangible assets (21%) and NOWC (42%). These three figures therefore have a material influence on the FVA. Altogether, average capital employed increased by 7% in 2018. Property, plant and equipment rose by 11% as a result of the growth strategy, while NOWC increased by 8%.

Capital expenditures and acquisitions

Capital expenditures

Investment initiative continued

FUCHS continued its investment initiative launched in 2016 in the third year and invested in property, plant and equipment as well as intangible assets worth €121 million (105).

Germany was the focus of expansion and modernization measures with around one third of all investments in 2018. €26 million was invested at the Mannheim location alone. The purchase of additional space allows the construction of a high-bay warehouse and the creation of additional office space. This allows internal processes to be further optimized and we are creating the basis for future growth. The Kaiserslautern location further expanded its position as a location for specialty lubricants with the integration of a coating plant, the expansion of the high-bay warehouse and office space.

The construction of the new production location in Wujiang was continued in China. The completion and subsequent relocation of production from the current location in Shanghai will take place in 2019. The headquarters of our China business as well as the research and development laboratory remain at our current location in Shanghai.

In the US, work continued on a plant for the production of first fill automotive lubricants as well as the modernization of the metalworking fluids plant at the Harvey site, while modernization investments were made at the Huntington plant. The storage capacities were expanded in Canada.

The new plant in Beresfield in Australia and the grease plant at the Johannesburg site in South Africa started operation. The construction of the new plant has begun in Sweden and existing facilities have been modernized and expanded at many other locations in Europe, Australia, India and South Africa.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets amounted to €58 million (53). In the previous year, we additionally recognized an impairment loss on goodwill of €6 million.

Acquisitions

As of July 1, 2018, FUCHS spent around half a million euro for the acquisition of a majority interest in the business of the former distribution partner in Chile.

Statement of cash flows

Statement of cash flows

in € million	2018	2017
Earnings after tax	288	269
Depreciation, amortization and impairment	58	59
Change of NOWC	-48	-78
Other changes	-31	-8
Cash flow from operating activities	267	242
Investments in non-current assets	-121	-105
Other changes	1	5
Free cash flow before acquisitions	147	142
Acquisitions/divestments	12	-2
Free cash flow	159	140

The cash inflow from operating activities amounted to €267 million (242) in 2018. The increase was partly due to earnings, but in particular due to a lower expansion of NOWC than in the previous year.

Despite planned investments in non-current assets of €121 million (105), free cash flow before acquisitions exceeds the previous year's figure at €147 million (142). Due to a positive balance of €12 million (-2) from divestments and acquisitions, and taking into account the revenues of €1 million (5) from the disposal of non-current assets, cash outflow from investing activities was only €108 million (102).

The free cash flow of €159 million (140) was used to pay dividends of €126 million (123) to the shareholders. Slightly increased financial liabilities of €4 million (1) are set against strongly increased cash and cash equivalents of €195 million (161).

Liquidity situation, financing structure, and dividend policy

Liquidity development and financing strategy

At the end of the reporting year the Group held cash and cash equivalents of €195 million (161). They secure the flexibility and independence of the FUCHS Group, allow the continuation of high investments in the future, even in a more difficult economic environment, and allow the policy of at least stable and, if possible, increasing dividend payments to the shareholders of FUCHS PETROLUB SE to continue. Furthermore, cash and cash equivalents enable the rapid exploitation of potential acquisition opportunities.

In addition, the Group has access to free lines of credit of €183 million (186) 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): → [26 Controlling system](#)

$FVA = EBIT - \text{capital employed} \times \text{weighted average cost of capital (WACC)}$

WACC 2018

Basic data¹:

- Shareholder's equity costs² =
7.7% (7.8) after and 11.2% (11.4) before tax
- Borrowing costs³ =
1.6% (1.4) after and 2.3% (2.0) before tax
- Financing structure⁴ =
86% (86) shareholders' equity and 14% (14) borrowed capital
- Typical Group rate of taxation = 30% (30)

¹ Empirical financial market data as of December 31, 2018.

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, 2018, there is a WACC of 9.8% (9.9) before tax and 6.9% (6.9) after tax. Therefore, as in the previous year, the WACC used for 2018 is 10.0% before and 7.0% after tax.

The WACC is incorporated in the FVA as a pre-tax interest rate because the earnings component is also incorporated as a pre-tax figure (EBIT).

The significant investments and the further increase in NOWC utilized the additional capital in the reporting year. Thus, capital costs increased by €9 million, while WACC remained unchanged. EBIT increased by €10 million and FVA increased slightly to €251 million (250).

Rise in tied-up capital slows FVA development

in € million	2018	2017	Change absolute	Change in %
EBIT	383	373	10	3
Capital Employed				
Equity*	1,368	1,244	124	10
+ Financial liabilities*	6	9	-3	-33
+ Net pension provisions*	26	33	-7	-21
+ Amortized goodwill*	85	85	-	-
- Cash and cash equivalents*	168	144	24	17
Total capital employed	1,317	1,227	90	7
WACC (in %)	10.0	10.0	-	-
Capital costs	132	123	9	7
FVA	251	250	1	0.4

* Average figures, each based on five quarterly values.

Five-year report of FVA and its components

in € million	2018	2017	2016	2015	2014
EBIT	383	373	371	342	313
Average capital employed	1,317	1,227	1,134	960	833
Capital costs	132	123	114	96	83
WACC (in %)	10.0	10.0	10.0	10.0	10.0
FVA	251	250	257	246	230

Liquidity as a performance indicator

Liquidity

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

In 2018, the FUCHS Group generated free cash flow before acquisitions of €147 million (142), of which, €126 million (123) was distributed to the shareholders. A net amount of €12 million was generated from acquisitions and divestments and taking into account a €3 million increase in financial liabilities, cash and cash equivalents increased to €195 million (161).

Thus, the Group's liquidity situation was also very good in 2018.

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. Although free cash flow before acquisitions in 2017 and 2018 was significantly below the previous years' high levels due to increased business volumes and investments, cash and cash equivalents continued to rise.

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

Growth as a performance indicator

Organic and external growth

FUCHS PETROLUB targets profitable growth, which can be generated both internally (organic) and through acquisitions (external). In the reporting year, the Group achieved organic growth in all regions. Information on this can be found in the sections on sales revenues and earnings position of the Group and the regions.

Profitability as a performance indicator

EBIT

FUCHS PETROLUB measures the profitability of its business through earnings before interest and tax. In 2018, the Group increased its EBIT by 3%. 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	2018	2017	2016	2015	2014
Free cash flow before acquisitions	147	142	205	232	210
Acquisitions/divestments	12	-2	-41	-170	-22
Free cash flow	159	140	164	62	188
Dividend distribution (for the previous year)	126	123	114	107	97
Share buyback	-	-	-	-	76

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.

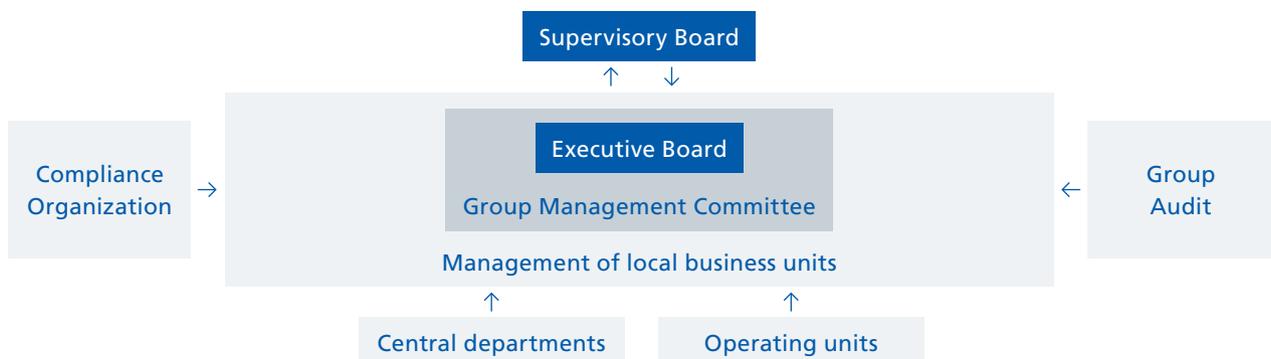
Our risk and opportunity policy focuses on securing the continued existence of the FUCHS Group and increasing its enterprise value. Our corporate objective is to identify and leverage opportunities early on. We aim to detect risks as rapidly as possible, to assess them appropriately and to introduce 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) and the management of the local operating business units therefore all work together closely to identify, assess, and control operating and strategic risks and opportunities. They are assisted in this by the Compliance Organization, Group Internal Audit and the central functions of FUCHS PETROLUB SE, which include, amongst others, Finance, Controlling, Legal, Taxes, Supply Chain, Human Resources and IT.

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

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

Organization of opportunity and risk management in the FUCHS Group



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

Opportunity report

Opportunity management within the Group

Within a dynamic market environment, the FUCHS Group's global business operations continuously create new opportunities, whose systematic detection and utilization are key components of our long-term focused corporate strategy. The Group has established planning, governance, and reporting processes to ensure that opportunities are detected early on and assessed within the strategy dialog. On the basis of economic analyses by recognized institutes, market information, and information from our own monitoring systems, we also aim to leverage the opportunities presented by the latest developments appropriately and early on.

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

Macroeconomic opportunities

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

Corporate strategy opportunities

On the basis of our mission statement "LUBRICANTS. TECHNOLOGY. PEOPLE.", our focus on lubricants, our capacity

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

Sector and competition opportunities

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

Opportunities from research and development

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

Opportunities from employee development and sustainability activities

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

Opportunities from digitalization and Industry 4.0

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

In digitalization and Industry 4.0, we see potential in a range of areas – for us and our customers – to make processes more efficient, to utilize data more intensively, to help shape the networking of intelligent systems and thus to tap new business areas as well. We therefore intend to use this development as an opportunity to continue to expand and strengthen our position as an innovation and competition leader.

Risk report

The Group's risk management system

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

We 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 central functions once a year in a structured manner, form the basis of global risk controlling in

the Group. Risk reporting covers such risks that were not already taken into account in the corresponding figures when preparing budgets and projections. The risk reporting process is supported by an IT solution. The completeness of the risk reports can be assessed and ensured using a risk catalog. When assessing risks, their probability of occurrence and the associated potential extent of loss are taken into account respectively.

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

The individual risks reported by the Group companies and departments are bundled at Group level to create aggregated risks. The aggregated risks are classified on the basis of their probability of occurrence and extent of net loss. To accurately depict the Group's strong growth in recent years combined with consistently sound financing in risk reporting, the value limits of the extent of net loss for risk aggregates on Group level, which have been implemented at this level in 2015, were adjusted. They are based on deviations amounting to approximately 10%, 20% and 25% (previous year: approximately 5%, 10% and 15%) from the budgeted earnings after tax. This change is based on the assumption that aggregated risks at Group level then exceed the materiality threshold, if their occurrence means they would erode a more significant share of earnings after tax than previously defined – according to our new definition, one quarter. However, the Group's existence would not be threatened even if this threshold was reached.

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

Likelihood of occurrence

Likelihood of occurrence	Description
≤ 10%	Unlikely
> 10% to ≤ 25%	Possible
> 25% to ≤ 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.

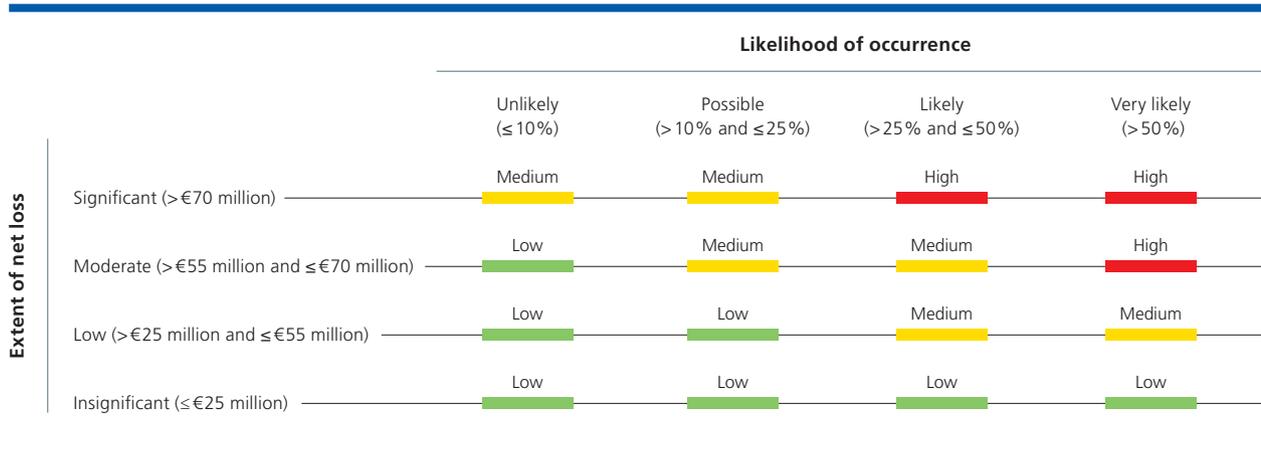
Significant features of the internal control and risk management system with regard to the Group accounting process

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

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

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

Risk matrix



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: €48 million, likelihood of occurrence: 39%) and is therefore not significant. Nevertheless, risks that need to be monitored constantly owing to their significance to the Group and the individual companies have been presented below.

Macroeconomic risks

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

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

Company-specific risks

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

→ [© Overview of risk aggregates](#)

Strategic risks

1) Investment and acquisition risks

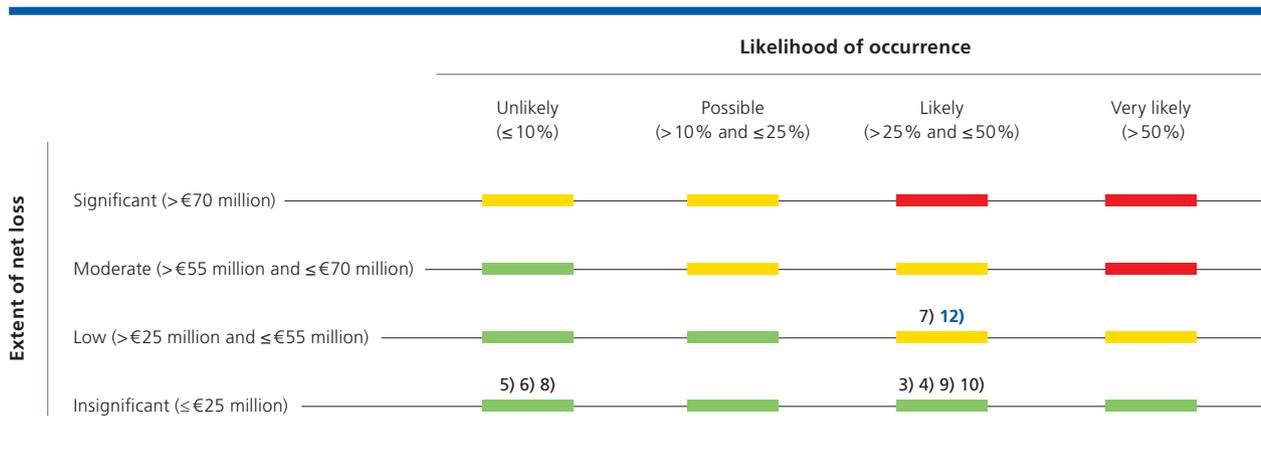
Investment and acquisition projects are regularly associated with complex risks. If there are unforeseen changes to economic or legal frameworks, the respective project costs may increase. Planned project completion dates may also be delayed. Investment and acquisition decisions are therefore implemented on the basis of specific processes and procedures,

are subject to careful examination in a multi-stage process and are comprehensively monitored by comprehensive project and cost controlling.

2) Risks from research and development

The opportunities of our major capacity for innovation and our high degree of specialization also lead to risks of a complex portfolio and restricted predictability of research and development projects. To manage these risks, most products are developed in close collaboration with our customers. We also conduct joint research with universities or other research institutions. Technical developments that allow expertise specific to the company to become generally available are regularly a potential risk

Overview of risk aggregates



No.	Risk aggregate	Risk classification
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

to technology leadership. The development of new and innovative products therefore requires effective and comprehensive intellectual property protection, which we secure internally through our organization and appropriate processes.

3) HR risks

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

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

Operational risks

4) Sector, competition and customer-related risks

Intensive competition on sales markets, rising customer quality standards and technological progress are crucial to the FUCHS Group. We are therefore exposed to general competition risks. Dependency on individual customers and industries may also pose additional risks.

Thanks to its wide product portfolio, FUCHS is active in many sectors. The automotive sector is a key sales market. As a result of the global scandal surrounding engines with illegal cut-off devices, regulatory changes were introduced to prevent such activities. The new pan-European Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP) is one such measure. This resulted in delays in delivering vehicles to customers in the second half of 2018, as the type approvals issued in the wake of the substituted New European Driving Cycle procedure were no longer valid. Protectionist tendencies in the trade between the USA and China are still affecting the automotive sector and its sales markets. Both aspects pose a risk to the demand for the automotive industry’s products. We have already taken appropriate account of a potential associated risk to sales of

FUCHS products in our outlook for 2019. It is therefore not included in the aggregated risks.

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

Although the Group’s business operations are already highly diversified, we are keen to further expand these operations through the incorporation of new client groups, markets, and industries. In this context, we wish to maintain and further consolidate our position as technological leader in strategically important business fields and niches directly with customers through continuous innovation activities, partnership-based research and development work and application-based support. Our goal is to offer our entire product portfolio worldwide.

5) Procurement risks

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

The use of raw materials by the FUCHS Group is divided into chemical raw materials and base fluids. The base fluids also include base oils. Many of the chemical raw materials are originally based on crude oil and do not reach FUCHS until they have undergone further stages of refinement, i. e. following significant increase in value. Crude oil price changes also affect the procurement prices of several raw materials, though not directly and not to the same extent. In addition, the US-Chinese trade conflict and the tariffs imposed in the course of it burden the global material flow.

6) IT risks

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

Additional IT risks are those with respect to cybercrime and cyberattacks, which, for example, use the Internet as a means of action. The criminal misuse of digital technologies is an increasing challenge. We estimate the likelihood of such a risk as possible, but we cannot reliably quantify expected net loss. In addition to targeted attacks on our systems with the aim of shutting them down (through ransomware, virus or phishing attacks, for example), the theft of internal data and the various forms of so-called CEO fraud are particularly considered as risks. We try to avoid these risks by consistently protecting our systems and IT infrastructure. In addition, employees are kept up-to-date with current practices, developments and technologies through training events and guidelines, and are thereby also sensitized to the detection of potential attempts of fraud.

Legal, regulatory and liability-related risks

7) Location risks

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

7.1) Legal risks

We aim to control legal risks and keep them as low as possible. We have therefore taken the necessary precautions to identify threats and to defend our rights if necessary. Nonetheless, we are exposed to legal risks in areas including product liability (subsumed under product risks), patent law, employment and competition law, taxes (income taxes as well as other taxes and levies) and environmental protection. Legal disputes, the emergence of new legal disputes as well as agreement on existing ones are therefore a normal condition of our business activities, our global presence and our diversified product portfolio. We counter these risks with the legal expertise embedded in our central functions and with the help of external specialists. We regularly map the expected outcome of these disputes in bud-

gets and projections and review their status constantly. We are currently faced with a transaction tax dispute and a patent dispute.

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

7.2) Regulatory risks

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

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

In addition to the European REACH regulation, other chemicals regulations around the world are also being established or updated at the national and international level. We must meet different regulatory requirements to enable the sale of our products within the EU and worldwide. This is why we have

set up a network of experts who analyze the relevant legislation and ensure compliance with the respective regulations in close cooperation with our suppliers.

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

7.3) Political risks

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

8) Product, environment and production-related risks

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

As a result of using our products on critical machine components in continuous operation inter alia and for the first fill of vehicles and the commissioning of production facilities, deviations in product quality may lead to product liability risks, especially in the case of business interruptions or recalls. We counter

these risks by subjecting our finished goods to an extensive quality control process and comprehensive insurance cover. Besides product-related risks under liability legislation, the unauthorized use of our trademark rights on counterfeit products, for example, represents another product-related risk.

Financial risks

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

9) Currency risks

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

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

10) Credit risks

Receivables can become impaired if customers do not meet their payment obligations. The operating units of the FUCHS Group work with standard Group specifications for receivables

management, which define controlling and auditing activities for the prevention of bad debts. These include credit assessments for new customers and the regular analysis of existing customers and the review of and, if applicable, reduction in the credit limits granted. Depending on the nature of the business relationship, additional collateral such as credit insurance, advance payments, bank guarantees, documentary credits and securities may be required for business transactions.

11) Impairment risks

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

Other non-quantifiable opportunities and risks

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

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

Overall assessment of the Group's opportunities and risks

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

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

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

2.9 Forecast Report

Group alignment and economic framework

The FUCHS Group operates across a wide range of regions, across a large number of industries and special applications and is therefore 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 both highly developed industrialized countries and emerging markets that often display faster economic development.

General economic development forecasts

In January 2019, the International Monetary Fund (IMF) lowered its forecast for the growth in the global economy in the current year by 0.2 percentage points to 3.5%. The IMF bases its reduced growth prospects on risks related to financial market fluctuations and ongoing trade conflicts. The IMF expects growth of 3.7% for the past year 2018. According to our expectations, the global lubricant market, which experienced growth of around 1% in 2018, will also report somewhat weaker growth in 2019 than in the previous year.

For 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 2018 and forecasts for 2019 are described starting on page 31 et seq. → [31 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, in 2019 the FUCHS Group is planning further, organic growth in sales revenues, although at a slower rate. The Executive Board expects a decline in earnings. Firstly, the one-off income from the sale of an at equity share will not be repeated and secondly, the extensive investments in production facilities and IT infrastructure will continue as part of our growth strategy, and research and development activities will also be strengthened. Furthermore, additional employees will continue to be hired. The goal is to meet the increasingly complex future requirements at an early stage.

Given the profitability and financial strength of the Group, this process, which temporarily involves higher costs rather than increases in earnings, is expected to continue until 2020, despite the slowdown in the global economy.

Forecast performance indicator

	Actual 2018	Forecast 2019
Sales revenues	€2,567 million	+2% to +4%
EBIT	€383 million	-8% to -5%
EBIT comparable (before one-off income)	€371 million	-5% to -2%
FVA	€251 million	around €200 million
Free cash flow before acquisitions	€147 million	around €100 million

The anticipated increase in sales revenues is based largely on organic volume growth. External growth is included only to a very limited degree. It remains to be seen whether further acquisitions can be made over the course of 2019.

Planning is on the basis of exchange rates at the end of October 2018. When translating the planned sales revenues into the Group currency, the euro, on basis of the January 2019 exchange rates, there is a lower positive translation effect of less than 1%. However, in the absence of reliable currency forecasts it is not possible to predict whether this effect will continue over the course of the year or how it will develop.

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

The achievement of our sales and earnings forecast presupposes that the macroeconomic assumptions made for 2019, in particular the growth of the automotive industry by 1%, are correct. Should the global economy and global lubricant consumption grow stronger than forecasted, a higher EBIT should also be expected. In addition to these opportunities for a better development than anticipated, conversely, there are risks of weaker

development, such as in the case of weaker growth, the aforementioned cost increases may have a more significant impact.

All regions are planning organic growth in sales revenues, the companies in Asia-Pacific, Africa are expecting the highest growth rates. The plans of many companies also see growth in EBIT. Due to the planned cost increases, some companies expect a temporary decrease in earnings, in particular in Germany.

Capital employed will increase further. The Group is planning investments in property, plant and equipment of €180 million. In particular, investments will be made in Germany, China, Sweden, the US, Russia and the UK. In Germany, we are planning to modernize and expand production facilities at the Mannheim, Kaiserslautern and Kiel sites, to create storage facilities and improve logistics, to expand our IT and research and development infrastructure as well as office space. New plants are being built or completed in China and Sweden, a plant for the production of first fill automotive lubricants is being built in the US and the current plant in Russia will be significantly expanded. Among other things, a new warehouse is being built in the UK.

Also NOWC will continue to grow as business volume grows.

Hence, FVA will decrease. Assuming a constant weighted average cost of capital (WACC), we anticipate an FVA of around €200 million. We expect free cash flow before acquisitions to be around €100 million (€147 million).

FUCHS does not expect Brexit to have any material direct impact on consolidated earnings. Our British company currently contributes less than 5% to Group EBIT. Despite its integration into our pan-European management, it supplies many customers from local production activities. Although the supply of raw materials is coordinated globally, most of the raw materials have to be imported. For this reason, intercompany cross-border provision of goods and services is limited, in the case of raw materials negative impacts from potential customs duties etc. may arise. Beyond this, it is currently not possible to put a reliable figure on the possible indirect effects of Brexit on the FUCHS Group resulting from a potential decline in economic activity on both sides of the British Channel.

2.10 FUCHS PETROLUB SE (HGB)

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

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

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

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

Results of operations

Earnings after tax at FUCHS PETROLUB SE amount to €184 million, down €28 million on the previous year (212). Contrary to our forecast at the beginning of the year, the previous year's level was not achieved. This was due to lower dividend payments from outside Germany.

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

Results of operations FUCHS PETROLUB SE

in € million	2018	2017
Sales revenues	61	38
Investment income	217	266
Other operating income	9	5
Staff costs	-23	-23
Depreciation and amortization	-1	-1
Other operating expenses	-32	-27
Earnings before interest and tax (EBIT)	231	258
Financial result	0	0
Earnings before tax	231	258
Income taxes	-47	-46
Earnings after tax	184	212
Retained earnings brought forward from the previous year	0	0
Transfer to other retained earnings	-53	-86
Unappropriated profits	131	126

The SE's sales revenues comprise licenses of €50 million (33) and cost allocations of €11 million (5). Owing to changes in the internal accounting system, both revenue items increased in the reporting year. The income statement continues to be predominated by investment income. Profit distributions from foreign stock corporations were €78 million (155). Income of €132 million (137) was received from profit and loss transfer agreements in place with German subsidiaries. It also includes income from the sale of our share in a Swiss sales joint venture. Due to high investments in connection with the construction of new plants and production facilities, profit distributions from China and the US were decreased contrary to the original plans.

Other operating expenses increased to €9 million (5), primarily as a result of the increased transfer of expenses and fees charged by the holding company.

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

Other operating expenses increased by €5 million to €32 million (27) due primarily to higher research and development costs subsidies paid by the holding company to subsidiaries and higher maintenance and licensing costs for software. The research and development subsidies still represent the largest expense items. Other costs include, in particular, consultancy, maintenance, travel and other staff costs.

EBIT and earnings after interest and before tax amounted to €231 million (258). After taxes of €47 million (46) for the tax consolidation group, earnings after tax amounted to €184 million (212).

Unappropriated profit as of December 31, 2018, is €131 million (126) after an allocation of €53 million to retained earnings.

Net assets and financial position

→ [# Net assets and financial position FUCHS PETROLUB SE](#)
Being the holding company, the assets of FUCHS PETROLUB SE essentially comprise shares and investments in companies, as well as receivables due from these companies.

Financial assets and receivables due from affiliated companies of €962 million (982) were reported. This represents 88% (95) of assets. Beside this, cash and cash equivalents and current securities of €120 million (41) were held.

Owing to the sale of shares in a Swiss company, financial assets decreased by €7 million to €524 million (531). Impairment charges on two investments amounted to €3 million in total. In the same amount, the write-back of an investment as well as the acquisition of the investment in Chile compensated for this.

The receivables due from affiliated companies were primarily attributable to domestic companies. The Group's financing company FUCHS FINANZSERVICE alone utilized €402 million (403) or 91% (89) of the funds.

Through further accumulation, FUCHS PETROLUB SE's equity rose by €58 million to €1,071 million (1,013). The equity ratio remains unchanged at 98% (98).

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

Net assets and financial position FUCHS PETROLUB SE

	Dec 31, 2018		Dec 31, 2017		Change in € million
	in € million	in %	in € million	in %	
Intangible assets and property, plant and equipment	8	1	9	1	-1
Financial assets	524	48	531	51	-7
Receivables due from affiliated companies	438	40	451	44	-13
Cash and cash equivalents and current securities	120	11	41	4	79
Other assets	6	0	4	0	2
Total assets	1,096	100	1,036	100	60
Shareholders' equity	1,071	98	1,013	98	58
Provisions	23	2	21	2	2
Other liabilities	2	0	2	0	-
Total assets	1,096	100	1,036	100	60

Forecast report

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

Planning anticipates higher investment income of around 25% for 2019 than in 2018. Thus, we are expecting earnings after tax of at least €200 million.

Unappropriated profit and dividend proposal

Based on the result according to the German Commercial Code, in which unappropriated profit of €131 million is disclosed, the Executive Board and Supervisory Board will submit a proposal to the Annual General Meeting that the dividends should be increased by €0.04 per share over the previous year

- to €0.94 (0.90) per ordinary share entitled to dividend and
- to €0.95 (0.91) per preference share entitled to dividend.

According to this, dividend payments will amount to €131 million (126).

2.11 Combined non-financial declaration

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

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

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

The company did not use a specific national, European or international framework to prepare this declaration, it is however based on the content requirements of the CSR Directive Implementation Act (CSR-RLUG).

FUCHS PETROLUB SE assumes corporate and social responsibility. This responsibility includes legal and socio-ethical aspects that FUCHS intends to adhere to while operating successfully as a company. FUCHS is committed to conducting business fairly and transparently. Its activities are established on the rule of law in all countries in which the company operates. Further information can be found in the Business model section. → [25 Business model](#)

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

To ensure future viability, sustainability is firmly established in the values of the FUCHS Group. Taking social and ecological responsibility is part of the corporate self-image at FUCHS. Therefore the three sustainability dimensions of economy, ecology and society are core elements of good corporate governance for FUCHS. To us, sustainability also means constantly evolving and optimizing. FUCHS respects human rights and actively fights against corruption and bribery. Our business activities are also focused on the supply chain as a strategically important part of our business relationships.

Within the framework of its existing risk management system, the company analyzes and assesses the material risks entailed by its business activities and business relationships. This also includes any possible severe repercussions of these risks on the aspects explained in this declaration. As far as corresponding risks exist, they are presented in our opportunity and risk report. → [44 Opportunity and risk report](#)

The Executive Board specifies 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 foundations 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

For FUCHS, sustainable business also means consideration of the environment and careful use of natural resources. The aim of guaranteeing living standards for future generations is a top priority for FUCHS. The company therefore pays attention to the responsible use of energy, water and raw materials.

For FUCHS, ecological sustainability specifically means measuring and, wherever possible, improving the company's ecological "Footprint." Relevant factors here are its impact on the environment and resources used in connection with extracting and sourcing raw materials by suppliers, processing and blending of the raw materials in the lubricant plants, the supply of the finished lubricants to our customers and the ultimate disposal of these products. Ecological sustainability for FUCHS also refers to the ecological "FUCHS print." Here, FUCHS seeks to quantify and, where possible, increase the positive effects achieved by customers during the usage phase of FUCHS lubricant products by reducing friction, wear and corrosion.

The FUCHS production sites are located in designated industrial and commercial areas, and are planned and operated according to Group-wide safety and environmental specifications, so that as few substances as possible that could impact biodiversity are released into the environment. Given FUCHS' low vertical integration as a blender at the end of the process and value chain, the direct ecological footprint in lubricant manufacturing is relatively low. FUCHS therefore differs from the conventional chemical industry. Nevertheless, the goal is to continuously improve the ecological footprint through environmentally friendly production methods. FUCHS is therefore developing special technologies and investing in state-of-the-art, safe systems for lubricant production, and in continuous process optimization. The goal is to keep the energy and water consumption, the waste generation during production low or to further decrease them as well as to reduce the CO₂ emissions.

One aspect of sustainability management is the certification of the environmental management system at FUCHS in accordance with the relevant ISO standards. As of the end of 2018

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

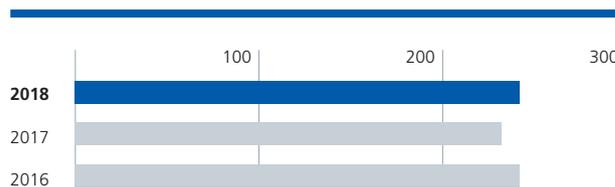
The preparation for re-certification according to IATF 16949 has required more capacity than originally planned at most production locations. The 2017 target will therefore be modified. In the next two years, four further production locations are to be certified according to ISO 14001.

Ecological indicators

FUCHS was able to reduce energy consumption, energy consumption related CO₂ emissions, water consumption and waste generation per ton of lubricant produced in the previous years. In the year 2018, the ecological sustainability indicators mentioned above rose slightly, but are all at or below their 2016 levels.

FUCHS is currently working on a better understanding of the portfolio-specific production processes and resource consumption of its sites on the one hand and on opportunities for further resource savings on the other. On the basis of these findings, quantifiable targets for the ecological sustainability indicators will then be formulated.

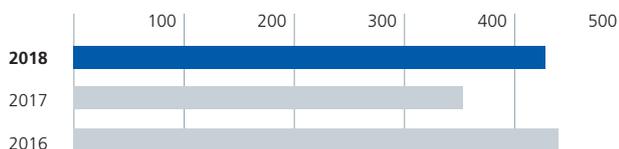
Development of energy consumption (in kilowatt hours per ton produced)



Basis: FUCHS production locations.

Development of water consumption

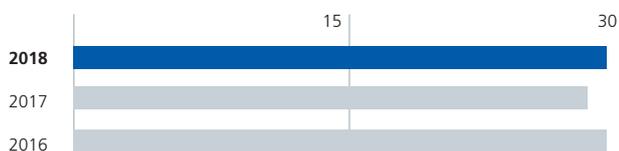
(in liter per ton produced)



Basis: FUCHS production locations.

Waste generation

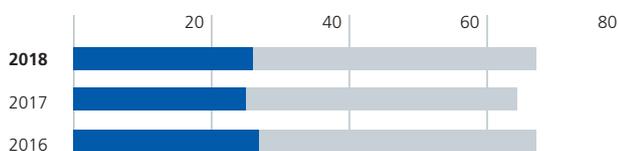
(in kilograms per ton produced)



Basis: FUCHS production locations.

CO₂ emissions

(in kilograms per ton produced)



■ Scope 1: direct emissions through own energy generation.

■ Scope 2: indirect emissions through purchased energy.

Basis: FUCHS production locations.

Thanks to their friction reduction, wear and corrosion protection properties, FUCHS lubricants positively contribute to prolonging running times for machines. FUCHS develops, produces and sells a number of lubricant products optimally tailored to the respective application, as well as emission reducing and environmentally friendly products. Compared to conventional alternatives, they also increase the efficiency of customers' production processes and thus make a positive contribution to saving on energy, cutting back greenhouse gas emissions and thereby conserving resources. These effects are measurable using an ecological assessment and a life cycle assessment and, in addition to performance and price, can become an additional differentiating characteristic and thus a competitive advantage for FUCHS.

Further information can be found in the Sustainability Report.

→ www.fuchs.com/sustainabilityreport

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. Employees are advised to be constantly mindful of potential hazards in their activities and their working environment, both in their own interests and in the interests of their co-workers.

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

To FUCHS, a responsible HR policy means equal opportunities and strictly prohibiting discrimination. FUCHS supports the International Labor Organization's Declaration on Fundamental Principles. These include freedom of association, the right to collective bargaining, the elimination and prohibition of forced and child labor and the prohibition of discrimination in employment and occupation. Within the framework of the respective statutory provisions, FUCHS does not tolerate any form of discrimination and 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.

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 implemented 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 FUCHS and the private and family needs of our employees. FUCHS accordingly places great emphasis on helping employees combine a career with a family. Flexible working time models are an important part of this. In addition to typical flextime models, part-time options are also available, ranging from 15 to 32 hours per week, which can also involve job-sharing or shift work. We are constantly examining ways in which we can further develop family-oriented options to cater even more effectively to the various life phases of our employees.

The task and goal of the company is to ensure the safety of the workplaces at all times, to ward off health hazards for the employees and to reduce the number of days lost. FUCHS has established a company health management system for this purpose. This includes extensive training in areas such as load handling, skin protection and ergonomics at computer workstations. Furthermore, at the Mannheim site, for example regular programs for the early detection of colon cancer, addiction prevention and healthy eating are offered. FUCHS supports initiatives established by employees to take part in sporting activities together as well as cooperations with fitness studios.

Social indicators

The age structure and average length of service have remained constant. There was a slight increase in fluctuation and the number of days lost compared with the previous year.

→ **## 63 Social indicators**

Staff development

Alongside vocational training, individual, needs-driven continuing professional development remains the foundation for developing specialist personnel and high potentials. The digitalization of HR processes will also have a visible impact on the area of employee development. The new digital learning platform, which went online in 2018, is expected to gradually provide all employees with access to training. In addition to basic technical subjects relating to lubricants, there will also be training courses on key subjects such as Code of Conduct, Compliance, IT Security and IT tools such as FUCHS Connect and the specific sharing of internal FUCHS knowledge. By integrating external e-learning providers, the number of available training courses will continue to increase significantly in the foreseeable future.

The FUCHS ACADEMY will continue to offer classic classroom training in the future. As a global training institution, it 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. 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 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. Specialists and managers as well as students and interns are sent by us specifically to FUCHS subsidiaries.

The aforementioned measures are complemented by language courses. We thus ensure that the Group language of English forms a reliable basis for the exchange of knowledge and experience. Furthermore, internal training at FUCHS guarantees the transfer of expertise to new employees. Whenever necessary and reasonable, we organize short-term induction programs, training placements and long-term assignments to our subsidiaries.

FUCHS considers 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. Women still account for 25% of the total workforce, the share of women in management positions remains constant at 22%.

Social indicators

	2018	2017	2016 ¹
Average age of employees in years	43	43	43
Age structure of employees in %			
< 30 years	16	16	14
31 to 40 years	28	28	29
41 to 50 years	28	28	28
> 50 years	28	28	29
Average length of service of employees in years	10	10	10
Employee fluctuation ² in %	4.8	4.1	3.6
Work-related accidents ³ per 1,000 employees	15	16	13
Days lost due to sickness per employee	8	7	7
Proportion of women in management positions in %	22	22	20
Average further training and education per employee in hours	14	15	17

¹ FUCHS production locations (representativeness: 90%).

² Share of employees leaving the company voluntarily.

³ Number of accidents with more than three absence days.

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 in its business activities is a matter of course. This self-commitment is expressed in the general set of values that FUCHS has set itself through the Code of Conduct. The signing of the Modern Slavery Act Statement in the UK underscores FUCHS' determination to prevent the criminal exploitation of human labor, for instance in the form of human trafficking, forced and child labor or slavery, beyond its own operations and in its supply chain as well. FUCHS ensures respect for human rights in the upstream value chain at its suppliers by means of contractual agreements, self-regulatory declarations by the supplier and on-site audits.

For FUCHS, human rights are an essential part of business ethics. These standards also apply in the customer relationship and are implemented in an appropriate manner if violations, related to this, come to light.

Combating corruption and bribery

In competition, FUCHS relies on the quality and intrinsic value of its products and services. FUCHS has no intention to influence business partners or officials by unlawful and inappropriate conduct, nor does FUCHS allow itself to be influenced by such conduct in its business decisions. The FUCHS Code of Conduct, compulsory policies guidelines for employees and business partners, transparent business processes, an established compliance management system (CMS) and internal controls form the binding guidelines for the prevention of all types of corrupt behavior and support all employees in observing the laws and regulations for the prevention of corruption and bribery.

Compliance management system

Important components of the CMS are the provision 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 information events, training courses, an information platform for employees and business partners and other measures derived from the guidelines. The Principles for the Proper Performance of Reasonable Assurance Engagements Relating to compliance management systems (IDW PS 980) are a point of reference for the design of the FUCHS CMS.

The Executive Board continuously reviews the quality of the CMS, develops it further and makes improvements if necessary. The Executive Board regularly encourages each employee to play an active part in the implementation and development of compliance measures and compliance programs in their area of work, for example by participating in further training courses, but also by reporting potential compliance violations.

The company's compliance organization has developed various goals which should be achieved with the Group's CMS based on the general company targets set by the Executive Board and taking into account the regulations which are particularly important for the company.

At FUCHS, one of the primary goals of the CMS is the prevention, detection and sanctioning of violations of the law, including corruption and bribery.

Alongside the Chief Compliance Officer (CCO) and the Group Compliance Committee (GCC), the Executive Board is responsible for determining the compliance targets. The CCO communicates the compliance targets to all the managers and employees of the Group.

Violations of compliance requirements threaten key success factors for FUCHS and are not tolerated at FUCHS. Compliance violations are assessed and appropriately sanctioned as part of the defined compliance process. The response to compliance violations depends on factors including their nature, gravity and duration, degree of fault and participation in the assessment of the violation. Sanctions can be imposed on the whole range of possible violations, including extraordinary termination of employment, claim for damages and criminal charges. Measures to eradicate weaknesses determined in the CMS can be procedural and organizational adjustments.

To meet the targets of the CMS, the company identifies and analyzes possible compliance violations and suspected cases as quickly as possible to take appropriate measures and prevent future violations.

A further measure is the continuous performance of compliance risk analyses. After a relevance analysis has been carried out, the risks of corruption and bribery also belong to the main risk areas for the CMS. Based on this analysis, which was conducted on a regular and ad-hoc basis, the need for adjustment was identified as a result of changes in the legal and regulatory environment and taken into account when defining compliance targets.

A risk assessment at the level of FUCHS PETROLUB SE as the Group holding company is the basis for the regular analysis of compliance risks at the level of all Group companies.

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

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.

Taking into account the requirements of the CMS and its individual corporate structure, FUCHS has given itself both a centralized and decentralized compliance organizational structure. The CCO and GCC form part of the centralized organization. The decentralized compliance organization is represented by the Local Compliance Officer (LCO).

The Internal Audit (IA) sector reviews the monitoring of the CMS for its adequacy and functionality, both in the form of planned and ad-hoc revisions. The Executive Board and Supervisory Board regularly discuss and decide on the results of the risk analyses and compliance investigations. The findings from compliance violations and from monitoring the CMS are incorporated into this optimization and further development of the CMS and significantly influence the further development of the aforementioned compliance elements and the relevant compliance fields of the CMS.

Further information on the CMS can be found in the Corporate Governance section. → [66 Corporate Governance](#)

Supply chain

The production of lubricants is part of an extensive value chain and begins with the purchase of raw materials. The raw materials used at FUCHS consist of complex chemical raw materials, renewable raw materials and a wide range of base fluids. FUCHS ensures that the raw materials used comply with all EHS regulations (environmental, health and safety) and, parallel to this, FUCHS invests in alternative raw material solutions that help to protect the environment and resources.

For FUCHS, raw materials are a key element in the formulation of products. A carefully monitored and administered raw materials portfolio ensures that the marketable products are always available in consistent quantity.

The procurement of raw materials is organized both centrally and locally. FUCHS manages its strategically most important suppliers with its central lead buyer concept, while the suppliers that are only relevant to the respective local companies are managed by the local procurement officers.

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

Given the strategic importance of key suppliers to the continuous availability of the necessary raw materials, FUCHS actively manages the relationship with the suppliers. The centrally managed FUCHS suppliers are assessed and systematically evaluated each year in the global supplier evaluation based on var-

ious criteria. In the event of any deficits in the fulfillment of these criteria, suppliers are issued with specific action plans and implementation deadlines. The criteria to be assessed are: business relations, pricing, technical aspects, quality, order and delivery management as well as sustainability aspects, including the carbon footprint of the raw materials supplied to FUCHS and possible CO₂ reduction targets.

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

As a result, the supplier evaluation according to sustainability aspects leads to the establishment of selected sustainable projects based on partnership. In these projects, FUCHS is working with its suppliers to quantify ecological sustainability in its lubricants portfolio. The aim is to develop a benchmark to classify FUCHS products into categories. The expectation of the company is that the change from a qualitative to a quantitative assessment of ecological sustainability will bring a significant progress in terms of environmental properties and that this categorization will be a future specification component for FUCHS lubricants.

Further information can be found in the Sustainability Report. → www.fuchs.com/sustainabilityreport

2.12 Corporate Governance

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

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

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

- close and trusting cooperation between the Executive Board and the Supervisory Board,
- respect for shareholders' interests,
- open corporate communication,
- transparency in accounting,
- responsible handling of risks and opportunities,
- sustainable business activities.

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

In March 2018, the Executive Board and Supervisory Board of FUCHS PETROLUB SE focused in detail on the recommendations and suggestions of the Code in the course of adopting the corporate governance report. In addition, items of referrals in other meetings included the topics Executive Board remuneration, compliance management system and its development as well as reviewing the efficiency of the working practices of

the Supervisory Board. On December 10, 2018, the Executive Board and the Supervisory Board together approved the updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and made this available to shareholders on the company's website – together with the declarations of previous years.

Declaration of Corporate Governance

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

As a European corporation (Societas Europaea – "SE"), FUCHS PETROLUB SE, with its registered office in Mannheim, is subject in particular to the provisions of the SE Regulation and of the German Stock Corporation Act (AktG), on the basis of which the Code was also developed. A basic principle in German stock corporation law is the 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. FUCHS also retained this two-tier board system following the transformation into an SE. Sound corporate governance requires continuous further development of this two-tier board system, with all divisions being included. In accordance with recommendation number 3.3 of the Code, the company's Articles of Association and the rules of procedure of the Executive Board stipulate the need for the approval of the Supervisory Board for certain business processes – such as setting the investment budget or major acquisitions.

Corporate Management by the Executive Board

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

In particular, the Executive Board makes decisions on corporate strategy, business policy, and annual and multi-year planning. The Executive Board ensures appropriate risk and opportunity management and risk controlling as well as providing an appro-

appropriate compliance management system to ensure compliance with legal provisions, official regulations and internal policies (compliance).

It takes diversity and the appropriate participation of women into account when filling management positions in the company.

Rules of procedure and a schedule of responsibilities govern the work and the allocation of responsibilities of the Executive Board members. The composition of the Executive Board and the allocation of duties within the Executive Board (organization of responsibilities, regions and divisions) are shown in detail in the section on organization. → [133 Executive Bodies](#)
The main features of the remuneration system and the individual remuneration of members of the Executive Board are described in the compensation report. → [72 Compensation report for members of the Executive Bodies](#)

The Supervisory Board is responsible for appointing the Executive Board in accordance with Section 84 AktG. Together with the Executive Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board has assigned responsibility for preparing decisions to the Personnel Committee. The number of Executive Board members is based on the requirements resulting from the business and the division of work in the Executive Board. The Executive Board of FUCHS PETROLUB SE consists of five members.

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 varied professional and personal experience,
- proven strategic and operating creative drive, and
- a proven role model function as a manager in the implementation of the FUCHS mission statement.

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

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

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

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

Monitoring and advising of the corporate management by the Supervisory Board

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

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

The Supervisory Board of FUCHS PETROLUB SE consists of six members. Of these, the shareholders elect four members in the Annual General Meeting and the European Works Council (SE Works Council) of FUCHS PETROLUB SE, which represents the company's European employees, elects two members.

The Supervisory Board of FUCHS PETROLUB SE 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. Pursuant to number 5.4.1 of the Code, 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. The Supervisory Board has, in accordance with recommendation number 5.4.1 (2) of the Code, set specific targets for its composition and regularly focuses on the issue of long-term succession planning, most recently in its meeting on December 10, 2018.

The Supervisory Board of FUCHS PETROLUB SE as a whole must

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

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

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

Furthermore, in accordance with recommendation number 5.4.1 (2) of the Code, each individual member of the Supervisory Board should not usually be a member of the Supervisory Board of FUCHS PETROLUB SE for longer than 15 years and should not be older than 70 at the time of election.

Corporate co-determination at FUCHS PETROLUB SE in accordance with the agreement on the involvement of employees contributes to diversity in terms of professional experience and cultural background. Employee representatives for the Supervisory Board are appointed and elected in accordance with the

provisions of laws on the participation of employees in a European Company through the autonomous decision of the employees. The fact of being an employee representative while also being an employee is not an impediment.

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

In the Supervisory Board's opinion, five of the six members listed on page 133 and therefore an appropriate number are independent within the meaning of recommendation number 5.4.2 of the Code. Dr. Susanne Fuchs is not considered independent as she has a personal relationship with the company and its Executive Board, and because she holds an appreciable number of shares in the company.

The term in office of the Supervisory Board is five years. The next term in office starts as of the end of the Annual General Meeting in 2020.

Targets for women in management positions

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

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

The target for the Supervisory Board has been exceeded (33%). The target of one female member on the Executive Board has been achieved.

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 targets for the percentage of women at these management levels as 10% and 30% respectively, each valid until December 12, 2021. The target for the percentage of women at the first management level was exceeded with 17% as of the end of 2018; the target for the percentage of women at the second management level was exceeded (40%).

Committees of the Supervisory Board

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

The Personnel Committee and the Audit Committee meet several times a year, while the Nomination Committee convenes for meetings only when necessary based on its allocation of duties. The Personnel Committee focuses on personnel matters in the Executive Board. In accordance with number 5.3.2 of the Code, the key tasks of the Audit Committee include monitoring the accounting process, examining the effectiveness of the internal control system, the risk management and internal audit system and the audit of the financial statements by the statutory auditor and compliance. The respective chairs of the committees regularly report to the Supervisory Board on the work of the committees.

The composition of the Supervisory Board and its committees, participation in meetings, and the details on its work in the reporting year are presented in more detail in the report of the Supervisory Board. → [12 Report of the Supervisory Board](#)

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

→ [72 Compensation report for members of the Executive Bodies](#)

Shareholders and the Annual General Meeting

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

The holders of ordinary and preference shares exercise their co-determination and control rights at the Annual General Meeting held at least once a year. In compliance with the legal conditions and those of the Articles of Association, every shareholder is entitled to participate in the Annual General Meeting. Shareholders who do not wish to, or who are unable to attend the Annual General Meeting in person can have their voting right exercised by a voting representative (proxy), such as a bank, a shareholders' association as well as in accordance with number 2.3.2 of the Code, a voting representative appointed by the company, by granting an appropriate power of attorney.

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

Compliance

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

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

The CMS is implemented by a Group-wide compliance organization. The Executive Board bears overall responsibility for the tasks relevant to compliance. Within the Executive Board, responsibility for compliance lies with the Chief Financial Officer (CFO). The Chief Compliance Officer (CCO) appointed by the Executive Board, the Group Compliance Committee (GCC), which consists of various specialist departments, and other compliance officers (LCO) appointed by each national subsidiary implement the compliance program together, manage and develop it further, and support and advise employees around the world. The GCC assists the CCO on the basis of its own rules of procedure and comprehensively bundles the expertise within the company for compliance management. In addition, the GCC ensures the sharing of information between the central Group and specialist departments that mainly deal with compliance issues, monitors the processing and investigation of events relevant to compliance and ensures appropriate sanctions in the event of compliance violations. A digital whistleblower portal gives both all employees and business partners the chance to initiate a dialog with the CCO, while remaining anonymous if so desired. As a result, identified vulnerabilities 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 Guidelines

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

→ www.fuchs.com/group/the-company/corporate-governance/articles-of-association-and-declaration-of-compliance

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

The terms trust, creating value, respect, reliability and integrity form the core values of the FUCHS Code of Conduct and accordingly shape 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.

→ [59 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. → [44 Opportunity and risk report](#).

High transparency through comprehensive information

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

Reportable managers' transactions are also published there.

→ www.fuchs.com/directorsdealings

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

Accounting and audit

The consolidated financial statements and half-year financial report of FUCHS PETROLUB SE are prepared in accordance with the International Financial Reporting Standards (IFRS). The statutory annual financial statements, which are relevant for the distribution of dividends, are prepared by FUCHS PETROLUB SE in accordance with the provisions of the German Commercial Code (HGB). After being prepared by the Executive Board, the auditor elected by the Annual General Meeting audits the annual and consolidated financial statements together with the combined management report. Having subsequently reviewed the annual financial statements itself, the Supervisory Board approves them. In accordance with recommendation number 7.1.4 of the Code, the consolidated financial statements explain relationships with shareholders, who qualify as related parties for the purposes of the applicable accounting standards. → [131 Relationships with related parties](#)

The Supervisory Board has agreed with the auditor, in accordance with number 7.2.1 of the Code, that the auditor will inform the Chairman of the Audit Committee immediately of any issues identified during the audit that might give rise to grounds for exclusion or bias in the auditor's report, unless these issues can be resolved immediately. In accordance with recommendation number 7.2.3 of the Code, the auditor shall also report immediately on all findings or conclusions significant to the duties of the Supervisory Board that emerge in performing the audit. The auditor must also inform the Supervisory Board or rather make a note in the auditor's 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.

Information on the auditor

Following the proposal of the Supervisory Board, the Annual General Meeting on May 8, 2018, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as auditor of the annual and consolidated financial statements of FUCHS PETROLUB SE for the financial year 2018. The responsible Auditor is Mr. Dirk Fischer.

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

On December 10, 2018, the Board of Directors and the Supervisory Board of FUCHS PETROLUB SE agreed to issue the following declaration of compliance:

Since issuing its last declaration of compliance on December 11, 2017, FUCHS PETROLUB SE has complied with all recommendations set forth in the German Corporate Governance Code dated February 7, 2017, i.e. its version published in the official section of the Federal Gazette (Bundesanzeiger) on April 24, 2017 by the German Ministry of Justice, and intends to continue complying with these recommendations without exception in the future.

Mannheim, December 10, 2018



Dr. Jürgen Hambrecht
Chairman of the
Supervisory Board



Stefan Fuchs
Chairman of the
Executive Board

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

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

Compensation report for members of the Executive Bodies

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

Compensation for members of the Executive Board

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

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

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

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

The performance-related compensation components are aligned with FUCHS Value Added (FVA) → [42 FVA performance indicator](#), which forms the basis for variable compensation throughout the Group. As a KPI for value-oriented corporate control, FVA links profit to capital employed and is based on long-term decisions in respect of capital employed, research and development, personnel development, etc. Sustainable economic success as a parameter for compensation has been and remains at the heart of the management philosophy in place at FUCHS.

The performance of the Executive Board is determined by the Supervisory Board on the basis of the level of attainment of long-term targets geared toward sustainable company success.

These targets are guided by the strategic guidelines at FUCHS and relate to the entire Executive Board. The variable compensation component, which is based on the FVA, is therefore extended to include a performance factor that places emphasis on the need for a multi-year assessment basis and ranges between 0.75 and 1.25 (variable compensation = FVA × performance factor). The variable compensation component is made up of a one-year component (STI) and a multi-year component (LTI) in a 50/50 split. 50% of the amount attributable to the LTI must be invested by the respective Executive Board member – as a compulsory personal investment – in FUCHS preference shares with a three-year lock-up period. In this period, the shares are exposed to all the risks and rewards of capital market performance.

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

If Executive Board employment is terminated prematurely without cause, in accordance with number 4.2.3. (4) sentence 1 of the Code, the Executive Board contracts provide for a compensation payment that is limited to a maximum of twice the annual compensation and does not recompense more than the remaining term of the contract of employment (cap).

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

The details of the compensation of the individual members of the Executive Board in the financial year 2018 and the pension expenses can be taken from the following table.

Total Executive Board compensation

Benefits granted

Benefits granted (in € thousand)	Stefan Fuchs Chairman since 2004, member of the Executive Board since 1999				Dr. Lutz Lindemann Member of the Executive Board since 2009				Dr. Timo Reister Member of the Executive Board since 2016			
	2017	2018	2018 min.	2018 max.	2017	2018	2018 min.	2018 max.	2017	2018	2018 min.	2018 max.
Fixed compensation	800	800	800	800	500	500	500	500	500	500	500	500
Additional benefits	16	18	18	18	22	22	22	22	16	16	16	16
Total	816	818	818	818	522	522	522	522	516	516	516	516
Annual variable compensation (STI)	800	804	0	1,200	400	402	0	750	400	402	0	750
Multi-year variable compensation (LTI)	800	804	0	1,200	400	402	0	750	400	402	0	750
Total variable compensation	1,600	1,608	0	2,400	800	804	0	1,500	800	804	0	1,500
Total compensation Section 314 HGB	2,416	2,426	818	3,218	1,322	1,326	522	2,022	1,316	1,320	516	2,016
Pension expenses	238	220	220	220	206	194	194	194	100	100	100	100
Total compensation GCGC	2,654	2,646	1,038	3,438	1,528	1,520	716	2,216	1,416	1,420	616	2,116

Benefits granted (in € thousand)	Dr. Ralph Rheinboldt Member of the Executive Board since 2009				Dagmar Steinert Member of the Executive Board since 2016			
	2017	2018	2018 min.	2018 max.	2017	2018	2018 min.	2018 max.
Fixed compensation	500	500	500	500	500	500	500	500
Additional benefits	15	16	16	16	13	13	13	13
Total	515	516	516	516	513	513	513	513
Annual variable compensation (STI)	400	402	0	750	400	402	0	750
Multi-year variable compensation (LTI)	400	402	0	750	400	402	0	750
Total variable compensation	800	804	0	1,500	800	804	0	1,500
Total compensation Section 314 HGB	1,315	1,320	516	2,016	1,313	1,317	513	2,013
Pension expenses	153	142	142	142	100	100	100	100
Total compensation GCGC	1,468	1,462	658	2,158	1,413	1,417	613	2,113

In addition to the allocated compensation components, the allocation also includes the service cost calculated for Stefan Fuchs, Dr. Lutz Lindemann and Dr. Ralph Rheinboldt, although this is not an actual allocation in the proper sense. The actual annual variable compensation is based on the FVA and the performance factor. The variable compensation is paid out in March of the subsequent year.

→ [# 74 Total Executive Board compensation: Allocation](#)

The present value of pension commitments less fund assets, which equates to the provision amount, is €4,822 thousand (5,446) for the Executive Board members active at the end of

the year. Of this amount, €2,248 thousand is attributable to Stefan Fuchs (DBO €4,790 thousand; fund assets €2,542 thousand), €1,404 thousand to Dr. Lutz Lindemann (DBO €3,885 thousand; fund assets €2,481 thousand) and €1,170 thousand to Dr. Ralph Rheinboldt (DBO €2,850 thousand; fund assets €1,680 thousand).

The total compensation of former Executive Board members and their surviving dependents in 2018 amounted to €543 thousand (541). The pension provisions – pension obligation less fund assets – for former Executive Board members and their surviving dependents amounted to €2,025 thousand (2,018).

Total Executive Board compensation

Allocation

Allocation (in € thousand)	Stefan Fuchs		Dr. Lutz Lindemann		Dr. Timo Reister	
	2018	2017	2018	2017	2018	2017
Fixed compensation	800	800	500	500	500	500
Additional benefits	18	16	22	22	16	16
Total	818	816	522	522	516	516
Annual variable compensation (STI)	884	880	442	440	442	440
Multi-year variable compensation (LTI)	884	880	442	440	442	440
Total	2,586	2,576	1,406	1,402	1,400	1,396
Pension expenses	220	238	194	206	100	100
Total compensation	2,806	2,814	1,600	1,608	1,500	1,496

Allocation (in € thousand)	Dr. Ralph Rheinboldt		Dagmar Steinert		Total	
	2018	2017	2018	2017	2018	2017
Fixed compensation	500	500	500	500	2,800	2,800
Additional benefits	16	15	13	13	85	82
Total	516	515	513	513	2,885	2,882
Annual variable compensation (STI)	442	440	442	440	2,652	2,640
Multi-year variable compensation (LTI)	442	440	442	440	2,652	2,640
Total	1,400	1,395	1,397	1,393	8,189	8,162
Pension expenses	142	153	100	100	756	797
Total compensation	1,542	1,548	1,497	1,493	8,945	8,959

Compensation for members of the Supervisory Board

The compensation of the Supervisory Board is based on Article 16 of the Articles of Association of FUCHS PETROLUB SE. In addition to reimbursement of their expenses, the members of the Supervisory Board receive fixed compensation of €60,000 payable after the end of the financial year and variable compensation linked to the success of the company of €200 for every €0.01 by which the average earnings per share exceed the minimum earnings per share. The minimum earnings per share amounted to €0.50 for the financial year 2015 and increase by €0.03 every subsequent year starting from January 1, 2016. The minimum earnings per share amounted to €0.59 for the financial year 2018. The variable compensation is limited to two thirds of the fixed annual compensation (cap). Half of the variable compensation is to be invested in preference shares in the company with a vesting period of five years, whereby the vesting period is waived when the member leaves the Supervisory Board. The Chairman of the Supervisory Board receives double and the Dep-

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

→ **# 75 Compensation for members of the Supervisory Board**

D & O insurance

FUCHS PETROLUB SE has taken out D & O insurance (pecuniary loss liability insurance), which covers the work of the members of the Executive and Supervisory Boards. For both the Executive Board and the Supervisory Board, the insurance policy provides for a deductible of 10% of the loss or one and a half times the individual fixed compensation.

Compensation for members of the Supervisory Board 2018 (2017)

in € thousand	Fixed compensation	Variable compensation	Compensation for committee work	Total
Dr. Jürgen Hambrecht	120	59	20	199
	(120)	(55)	(20)	(195)
Dr. Dr. h. c. Manfred Fuchs	–	–	–	–
	(31)	(14)	(11)	(56)
Dr. Susanne Fuchs	60	29	30	119
	(39)	(18)	(20)	(77)
Horst Münkel	60	30	–	90
	(60)	(28)	–	(88)
Ingeborg Neumann	60	29	20	109
	(60)	(28)	(23)	(111)
Lars-Eric Reinert	60	30	–	90
	(60)	(28)	–	(88)
Dr. Erhard Schipporeit	90	44	50	184
	(80)	(37)	(46)	(163)
Total	450	221	120	791
	(450)	(208)	(120)	(778)

Takeover law disclosures

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

Composition of issued capital

As of December 31, 2018 the issued capital of the company amounted to €139,000,000. The share capital is divided into 69,500,000 no-par-value ordinary bearer shares and 69,500,000 no-par-value preference bearer shares. Each share class therefore accounts for 50% of the company's share capital. Each share is assigned a nominal value of €1 as of the end of the reporting period. The ordinary shares grant the rights provided for by the German Stock Corporation Act (AktG). The preference shares grant the same rights relating to company issues, with the exception of voting rights. The rights and duties of the shareholders are based on the regulations of the German Stock Corporation Act (AktG), in particular Sections 12, 53 a et seq., 118 et seq. and 186.

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

- a. For payment of any remaining profit shares on the non-voting preference shares from previous years;
- b. For payment of a preference profit share of €0.03 per non-voting preference share of no par value;
- c. For payment of an initial profit share of €0.02 per ordinary share of no par value;
- d. For equal payment of further profit shares on the ordinary shares and the non-voting preference shares, unless the Annual General Meeting decides on another use.

Restrictions relating to voting rights or the transfer of shares

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

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

Ordinary shares, which are offered for sale to entitled employees in Germany at preferential conditions within the context of the employee share program, have a one-year lock-up period. Preference shares acquired by members of the Executive Board and the Supervisory Board as part of their variable remuneration have a vesting period of three or five years respectively. The vesting period for Supervisory Board members is waived when they leave the Supervisory Board.

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

Capital holdings exceeding 10% of voting rights

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

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

Shares with special rights bestowing control

There are no shares with special rights bestowing control.

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

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

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

The company's Articles of Association, in their current form, comply with the legal requirements of Article 39 of the SE Regulation, Section 16 of the German SE Implementation Act and Sections 84 and 85 AktG, Article 59 of the SE Regulation and

Section 179 of the German Stock Corporation Act (AktG) with regard to the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association.

Authorization of the Executive Board to issue and buy back shares

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

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

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

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

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

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

Dependent company report / report on investments in affiliated companies

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

A dependent company report has therefore been prepared on relationships with related parties pursuant to Section 312 of the German Stock Corporation Act (AktG) with the concluding declaration: "In the legal transactions listed in the dependent company report and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. No measures subject to disclosure occurred on the instruction or in the interest of the controlling company nor any company associated with it."

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



Financial Report

Earnings after tax rise to



€147 million

free cash flow before acquisitions



Earnings per share +7%

Financial Report

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* Part of the notes.

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Income Statement

in € million	Notes	2018	2017
Sales revenues	(1)	2,567	2,473
Cost of sales	(2)	-1,668	-1,591
Gross profit		899	882
Selling and distribution expenses	(3)	-366	-361
Administrative expenses	(4)	-127	-121
Research and development expenses		-52	-47
Other operating income and expenses	(5)	3	3
EBIT before income from companies consolidated at equity		357	356
Income from companies consolidated at equity	(6)	26	17
Earnings before interest and tax (EBIT)		383	373
Financial result	(7)	-2	-2
Earnings before tax (EBT)		381	371
Income taxes	(8)	-93	-102
Earnings after tax		288	269
Thereof			
Non-controlling interests	(9)	0	0
Profit attributable to shareholders of FUCHS PETROLUB SE		288	269
Earnings per share in €¹	(10)		
Ordinary share		2.06	1.93
Preference share		2.07	1.94

¹ Basic and diluted in both cases.

Statement of comprehensive income

in € million	2018	2017
Earnings after tax	288	269
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	-11	-42
Shares in companies consolidated at equity	-5	-7
Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods		
Remeasurements of defined benefit pension commitments	0	7
Fair value changes of shares in companies consolidated at equity	-3	0
Fair value changes of equity instruments	0	0
Deferred taxes on these amounts	0	-2
Total other comprehensive income	-19	-44
Total income and expenses for the period	269	225
Thereof		
Non-controlling interests	0	0
Profit attributable to shareholders of FUCHS PETROLUB SE	269	225

For further information, please refer to the notes under item 24. → [116 Pension provisions](#)

Balance Sheet

in € million	Notes	Dec 31, 2018	Dec 31, 2017
Assets			
Intangible assets	(13)	279	287
Property, plant and equipment	(14)	521	471
Shares in companies consolidated at equity	(15)	38	37
Other financial assets	(16)	8	2
Deferred tax assets	(17)	26	23
Other receivables and other assets	(21)	1	1
Non-current assets		873	821
Inventories	(18)	410	366
Trade receivables	(19)	379	374
Tax receivables	(20)	6	7
Other receivables and other assets	(21)	28	22
Cash and cash equivalents	(22)	195	161
Current assets		1,018	930
Total assets		1,891	1,751
Equity and liabilities			
Subscribed capital		139	139
Group reserves		1,028	898
Group profits		288	269
Equity of shareholders of FUCHS PETROLUB SE		1,455	1,306
Non-controlling interests		1	1
Total equity	(23)	1,456	1,307
Pension provisions	(24)	25	26
Other provisions	(26)	4	4
Deferred tax liabilities	(17)	34	34
Financial liabilities		0	0
Other liabilities	(29)	3	3
Non-current liabilities		66	67
Trade payables*	(25)	213	205
Other provisions*	(26)	24	28
Tax liabilities	(27)	29	28
Financial liabilities	(28)	4	1
Other liabilities	(29)	99	115
Current liabilities		369	377
Total equity and liabilities		1,891	1,751

* Previous year's figures comparable. Obligations from customer rebates (expected credits and bonuses) amounting €11 million as at December 31, 2017 were reclassified from other provisions to trade payables due to IFRS 15.

Statement of changes in equity

in € million	Outstanding shares (units)	Subscribed capital FUCHS PETROLUB SE	Capital reserves FUCHS PETROLUB SE
As at December 31, 2016 / January 1, 2017	139,000,000	139	97
Dividend payments			
Earnings after tax 2017			
Change in other comprehensive income 2017			
As at December 31, 2017	139,000,000	139	97
Adjustments IFRS 9 "Financial Instruments"			
Adjustments IAS 29 "Hyperinflationary economies"			
As at January 1, 2018	139,000,000	139	97
Dividend payments			
Earnings after tax 2018			
Change in other comprehensive income 2018			
As at December 31, 2018	139,000,000	139	97

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

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

Changes in shareholders' equity are illustrated in the notes under item 23. → [115 Shareholders' equity](#)

	Equity capital generated in the Group	Differences arising from currency translation ¹	Equity of shareholders of FUCHS PETROLUB SE	Non-controlling interests	Total equity
	939	29	1,204	1	1,205
	-123		-123	0	-123
	269		269	0	269
	5 ²	-49	-44		-44
	1,090	-20	1,306	1	1,307
	5		5		5
	1		1		1
	1,096	-20	1,312	1	1,313
	-126		-126	0	-126
	288		288	0	288
	-3 ²	-16	-19		-19
	1,255	-36	1,455	1	1,456

Statement of cash flows

in € million	2018	2017
Earnings after tax	288	269
Depreciation, amortization and impairment of non-current assets	58	59
Change in non-current provisions and in other non-current assets (covering funds)	-1	-2
Change in deferred taxes	-4	-4
Non-cash income from shares in companies consolidated at equity	-14	-17
Dividends received from companies consolidated at equity	2	12
Gross cash flow	329	317
Gross cash flow	329	317
Change in inventories	-49	-55
Change in trade receivables	-9	-37
Change in trade payables	10	14
Change in other assets and other liabilities (excluding financial liabilities)	-2	4
Net gain on disposal of shares in companies consolidated at equity	-12	0
Net gain/loss on disposal of non-current assets	0	-1
Cash flow from operating activities	267	242
Investments in non-current assets	-121	-105
Proceeds from the disposal of non-current assets	1	5
Cash paid for acquisitions	-2	-2
Proceeds from divestments	14	0
Cash flow from investing activities	-108	-102
Free cash flow before acquisitions ¹	147	142
Free cash flow	159	140
Dividends paid for previous year	-126	-123
Changes in financial liabilities	3	-11
Cash flow from financing activities	-123	-134
Cash and cash equivalents as at Dec 31 of the previous year	161	159
Cash flow from operating activities	267	242
Cash flow from investing activities	-108	-102
Cash flow from financing activities	-123	-134
Effect of currency translations	-2	-4
Cash and cash equivalents at the end of the period	195	161

¹ Free cash flow before cash paid for acquisitions and before proceeds from divestments.

The paid taxes on income total €95 million (113). They are included in the cash flow from operating activities.

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

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

→ [128 Notes to the statement of cash flows](#)

Segments¹

in € million	Europe			Asia-Pacific, Africa		
	2018	2017	Change	2018	2017	Change
Sales revenues by customer location	1,293	1,262	31	846	800	46
Sales revenues by company location	1,546	1,515	31	783	733	50
thereof with other segments	169	165	4	0	0	0
Scheduled amortization and depreciation	37	35	2	10	8	2
Impairment losses ²	0	6	-6	0	0	0
EBIT before income from companies consolidated at equity		185			119	
2017 comparable	178	173	5	109	113	-4
Income from companies consolidated at equity	14	2	12	12	15	-3
Segment earnings (EBIT)		187			134	
2017 comparable	192	175	17	121	128	-7
Shares in companies consolidated at equity	0	3	-3	38	34	4
Additions to property, plant and equipment and intangible assets	63	53	10	35	39	-4
Additions from acquisitions	1	1	0	0	0	0
Employees as at December 31 ³	3,461	3,349	112	1,174	1,085	89
Performance indicators						
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %		12.2			16.2	
2017 comparable	11.5	11.4		13.9	15.4	

¹ Part of the notes.

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

³ Including trainees.

North and South America			Holding including consolidation			FUCHS Group		
2018	2017	Change	2018	2017	Change	2018	2017	Change
428	411	17	0	0	0	2,567	2,473	94
409	393	16	-171	-168	-3	2,567	2,473	94
2	3	-1	-171	-168	-3	0	0	0
9	9	0	2	1	1	58	53	5
0	0	0	0	0	0	0	6	-6
	65			-13			356	
59	61	-2	11	9	2	357	356	1
0	0	0	0	0	0	26	17	9
	65			-13			373	
59	61	-2	11	9	2	383	373	10
0	0	0	0	0	0	38	37	1
22	12	10	1	1	0	121	105	16
1	0	1	0	0	0	2	1	1
690	647	43	121	109	12	5,446	5,190	256
	16.5						14.4	
14.4	15.5					13.9	14.4	

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, 2018, 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 2018, 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 and registered with the District Court of Mannheim (commercial registration number: HRB 717394).

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

The currency used in this report is the euro (€). All amounts are stated in millions of euro (€ million), unless otherwise indicated. The previous year's figures are stated in 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 12, 2019 and discussed them with the Supervisory Board's Audit Committee. The consolidated financial statements will be presented to the Supervisory Board for approval and then released for publication during the meeting on March 19, 2019.

With reference to Section 264 (3) HGB, the following German companies did not apply the provisions contained in Sections 264 to 289f 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 2018 for the first time are outlined in the following section.

IFRS 9 – Financial Instruments

IFRS 9 "Financial instruments" contains revised regulations for the classification and measurement of financial instruments, including a new expected credit loss model for the calculation of the impairment on financial assets and the new general hedge accounting requirements.

The Group has utilized the option not to adjust comparable information for previous periods.

In respect to the classification and measurement of financial assets, an investment that was previously measured at cost is measured at fair value using a discounted cash flow method in the future. At the transition date as of January 1, 2018, there was a €6 million increase in the investment, which was offset against retained earnings. 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.

With regard to the first-time application of the new model to determine write-downs of trade receivables, the simplified approach is based on the expected credit losses over the respective terms. This is based on discount rates calculated as a percentage, which reflect the customer sectors and the economic envi-

ronment of the respective geographic region. Furthermore, if there is objective evidence for an impairment of a receivable, an individual valuation adjustment is undertaken. The first-time application of IFRS 9 resulted in an increase of €1 million in write-downs of receivables as of January 1, 2018, which was offset against retained earnings after taking deferred taxes of rounded €0 million into account.

The new accounting standards for hedge transactions requiring prospective application have no impact on the FUCHS Group.

In addition, for the financial year 2018 the Group applied amendments to IFRS 7 Financial Instruments: Disclosures.

IFRS 15 – Revenue from Contracts with Customers – Clarifications to IFRS 15

IFRS 15 “Revenue from Contracts with Customers” stipulates a comprehensive framework for determining whether, at what level, and at what time sales revenues are recognized. It replaces the existing guidelines for recognition of sales revenues. The initial application (modified retrospective method) resulted in no need for adjustment at the transition date as of January 1, 2018 with the exception of the following change in reporting and extended notes to the consolidated financial statements. As a result of the first-time application of IFRS 15, there was a change to disclosures of repayment obligations from discounts to customers. As of January 1, 2018, €11 million were recognized in trade payables (previously in other provisions). The previous-year figures in the consolidated balance sheet were adjusted accordingly to aid comparison. For a breakdown of sales revenues by product group and geographical region, please refer to “Note 1: Sales revenues” in these Notes on the consolidated financial statements.

→ [103 Sales revenues](#)

As a result of the following standards and amendments to standards and interpretations which are applicable for the first time from January 1, 2018, there were no significant effects on Group net assets, financial position and results of operations.

Amendments to IAS 40 – Transfers of Investment Property

The amendment to IAS 40 Investment Property serves to clarify in which cases the classification of a property as “investment property” starts and ends if the property is under construction or in development. As a result of the non-exhaustive list in IAS 40.57, the classification of property under construction or development was not clearly regulated. This list is now explicitly considered non-exhaustive so that property under construction or development can also be included in the regulation.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses an application issue related to IAS 21: “The Effects of Changes in Foreign Exchange Rates.” It clarifies which exchange rate needs to be used at what time in order to convert foreign currency transactions when payment is made or received in advance. The date on which the advance payment is recognized for the first time is significant when determining the exchange rate to be used for the underlying asset or liability.

Improvements to IFRS 2014 – 2016

As a result of the Annual Improvements to IFRSs (2014–2016), three IFRSs (IFRS 1, IFRS 12 and IAS 28) were amended. Of these, the amendments to IFRS 1 and IAS 28 are to be applied from the financial year 2018.

The following standards and amendments to standards and interpretations are – pending endorsement by the EU – binding from the financial year 2019 on or at a later date.

The FUCHS Group does not expect any significant effects on the Group’s net assets, financial position and results of operations at the present time.

Standards adopted by the EU

IFRS 16 – Leases – mandatory application from January 1, 2019

IFRS 16 replaces the existing IAS 17 guidelines for leases. IFRS 16 provides a uniform accounting model requiring lessees to recognize leases in their balance sheet. Lessees recognize a right-of-use asset that constitutes a right to use the underlying asset and a lease liability representing their obligation to make lease payments. There are exemptions for short-term leases and leases for low-value assets which the FUCHS Group will utilize. For the lessor, accounting is comparable with the regulations of IAS 17.

The Group intends to apply IFRS 16 using the modified retrospective method. For this reason, the cumulative effect from the application of IFRS 16 will be recognized as an adjustment of the opening amounts of retained earnings as of January 1, 2019, without making any adjustment of the comparative information.

Based on the existing obligations from rental agreements and leases, we do not anticipate any significant effects on the Group’s net assets, financial position and results of operations. Based on currently available information, the Group estimates that it will recognize additional lease liabilities of less than 2% of consolidated total assets as of January 1, 2019. In addition to the slight increase in the consolidated balance sheet total, the reporting of

expenses associated with operating leases will change. For 2019, the FUCHS Group is expecting depreciation of an estimated €10 million for the right of use asset and interest expenses of an estimated €2 million for lease liabilities. These depreciation and interest expenses replace the expenses previously reported as rental and leasing expenses in the income statement of the FUCHS Group. In the statement of cash flows, the FUCHS Group will show the interest portion in the cash flow from operating activities and the repayment portion in the cash flow from financing activities with regard to the change in lease liabilities. Lease payments in connection with short-term leases and leases of low-value assets continue to be reported in cash flow from operating activities.

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

The adjustments relate to a limited adjustment of the relevant assessment criteria for the classification of financial assets. The amendments are applicable on January 1, 2019 for the first time.

IFRIC 23 – Uncertainty over Income Tax Treatments

The tax treatment of certain facts and transactions can depend on future recognition by the taxation authorities or tax courts. IAS 12 “Income Taxes” regulates how current and deferred tax should be accounted for. IFRIC 23 supplements the regulations in IAS 12 in respect to the consideration of uncertainties relating to income tax treatment of facts and transactions. This interpretation is applicable in the first reporting period of financial years starting on or after January 1, 2019. Early adoption is also permitted.

Standards not yet adopted by the EU

Amendments to IFRS 3 – Definition of a Business

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

Amendments to IAS 1 and IAS 8 – Definition of Material

With the amendments in IFRS, a standard and more clearly defined definition of the materiality of financial statement information is created and supplemented with accompanying examples. In this connection, there is a harmonization of the definitions. Subject to endorsement by the EU, the amendments are applicable on January 1, 2020 for the first time. Early adoption is also permitted.

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

These 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.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

The amendments contain a clarification that IFRS 9 is to be applied to long-term interests in associates and joint ventures where the equity method is not used for accounting. Subject to endorsement by the EU, the amendments are applicable on January 1, 2019 for the first time.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

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

Subject to endorsement by the EU, this amendment is applicable in the first reporting period of financial years starting on or after January 1, 2019. Early adoption is also permitted.

Conceptual Framework – Amendments to references to the Conceptual Framework

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.

Improvements to IFRS 2015–2017

As a result of the Annual Improvements to IFRSs (2015-2017), four IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23) were amended. Subject to endorsement by the EU, these amendments are applicable in the first reporting period of financial years starting on or after January 1, 2019. Early adoption is also permitted.

Scope of consolidation

Overview scope of consolidation

Number	Europe	Asia-Pacific, Africa	North and South America	Total
Fully consolidated companies (incl. parent company)				
Jan 1, 2018	38	19	9	66
Additions			1	1
Disposals			-1	-1
Dec 31, 2018	38	19	9	66
Companies consolidated at equity				
Jan 1, 2018	1	4	0	5
Disposals	-1			-1
Dec 31, 2018	0	4	0	4

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

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

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

→ [136 Shareholding](#)

The scope of consolidation is made up of 66 (66) companies in total, including the parent company. Changes to the basis of consolidation in 2018 are explained in the section below.

Changes in the scope of consolidation

Additions fully consolidated companies

	in %
FUCHS LUBRICANTS SpA, Santiago/Chile	65

In July 2018, FUCHS PETROLUB SE acquired 65% of the shares in FUCHS LUBRICANTS SpA, Santiago/Chile, from Comercial Pacific Ltda., Santiago/Chile. The purchase price was €0.4 million and related primarily to customer relationships.

Disposals fully consolidated companies

	in %
PENTOSIN DO BRASIL	100

Disposals companies consolidated at equity

In August 2018, FUCHS PETROLUB SE sold its 50% investment in MOTOREX AG, Langenthal/Switzerland, for a purchase price of CHF 17 million (roughly €15 million) to the former local partner MOTOREX-BUCHER Group AG, Langenthal/Switzerland.

Consolidation principles

Pursuant to IFRS 3, all business combinations are accounted for with the purchase method of accounting at the acquisition date. Initially, all assets, liabilities and additional intangible assets to be capitalized are measured at fair value. The acquisition costs are then compared with the proportional share of the net assets acquired at fair value. The resulting positive differences are capitalized as goodwill. Negative differences are reviewed once more, then recognized directly in profit or loss. The incidental acquisition costs of a business combination are recognized in profit or loss. Pursuant to IAS 36, the value of the goodwill is calculated on the basis of goodwill impairment tests performed at least once each year or whenever there are indications of an impairment. For details on this, please refer to the section entitled “Accounting policies” and note 13.

→ [96 Accounting policies](#)

→ [108 Intangible assets](#)

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

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

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

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

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

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

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

Currency translation

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

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

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

Expenses and income are recognized at the average annual exchange rate in line with the simplification rule of IAS 21.40 (except: FUCHS Argentina as hyperinflationary economy using the closing rate), shareholders' equity at historical exchange rates and assets and liabilities at the exchange rate applicable at the end of the reporting period. The resulting translation adjustments are recognized in equity. The year-on-year change is presented in the statement of comprehensive income. The respective cumulative translation differences are released to income at the time of disposal of subsidiaries.

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

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

Currency translation for the pro rata equity of joint ventures and associates, which is reflected in the shares in companies consolidated at equity in the balance sheet of the FUCHS Group, is performed at the respective exchange rates on the date of inclusion. Proportionate net profits of joint ventures and associates are translated at the average annual exchange rate and are recognized

as income from companies consolidated at equity in the consolidated income statement of the FUCHS Group. Dividend payments of joint ventures and associates are translated at the exchange rate on the distribution date.

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

Closing rate

1 €	Dec 31, 2018	Dec 31, 2017
US dollar	1.146	1.199
British pound	0.899	0.888
Chinese renminbi yuan	7.883	7.807
Australian dollar	1.625	1.538
South African rand	16.462	14.856
Polish zloty	4.288	4.181
Brazilian real	4.451	3.974
Argentinean peso	43.173	22.334
Russian ruble	79.900	69.220
South Korean won	1,277.710	1,280.640
Swedish krona	10.153	9.829

Average annual exchange rate

1 €	2018	2017
US dollar	1.181	1.130
British pound	0.885	0.876
Chinese renminbi yuan	7.806	7.629
Australian dollar	1.580	1.473
South African rand	15.612	15.036
Polish zloty	4.260	4.256
Brazilian real	4.309	3.608
Argentinean peso	32.965	18.747
Russian ruble	74.036	65.891
South Korean won	1,299.100	1,276.340
Swedish krona	10.258	9.636

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 2018, 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. Future-related assumptions and estimates are necessary, in particular for the assessment, recognition, and measurement of assets and liabilities as listed below:

Goodwill

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

A cash-generating unit is generally a subsidiary. If the recoverable amount is lower than the carrying amount of a cash-generating unit, the goodwill allocated to this unit is impaired to the recoverable amount. The value in use is determined using a discounted cash flow method. The mid-term planning of the subsidiaries, which comprises the budget for the following year and two subsequent planning years, serves as the basis for planning.

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

→ [108 Intangible assets](#)

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

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

the discounted estimated usage charge payments, which will likely be saved by having in-house technology.

Measurement of investments to fair value

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

Provisions for pensions

The expenses from defined benefit plans and pension provisions, as well as assets from pension plans, are determined using actuarial calculations. An actuarial valuation method is used on the basis of various assumptions which may deviate from actual future developments. These include determination of discount rates, future salary and wage increases, future pension increases and the mortality rate. Due to the complexity of the measurement, the basic assumptions made and the long-term nature of the investments involved, defined benefit obligations are extremely sensitive to changes in these assumptions. All parameters are regularly reviewed at the end of the reporting period. Actuarial gains and losses are offset against the Group's retained earnings directly in shareholders' equity. They occur due to deviations in the actual development of pension obligations and pension plan assets from assumptions made at the start of the year, as well as updates in actuarial assumptions. Please refer to note 24 for further information.

→ [116 Pension provisions](#)

Realizability of deferred tax assets

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

→ [112 Deferred tax assets and liabilities](#)

Impact of Brexit on financial reporting

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

→ [54 Forecast Report](#)

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

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

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

Sales revenues

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

For the sales revenues described for the previous year, the accounting policies valid at the time and published in the financial statements of the previous year were used.

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 benefit 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.

Intangible assets

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

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

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

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

Property, plant and equipment

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

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

Useful life

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

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

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

Government grants

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

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

Leases

Finance lease assets are reported in non-current assets. If economic ownership remains with the lessor (operating lease), lease payments are recognized in profit or loss over the lease term.

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 in other financial assets is a non-listed investment which was measured at cost in previous years in line with IAS 39. From the 2018 reporting year, it is measured at fair value using a discounted cash flow method in line with IFRS 9.

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

Hyperinflation

For the FUCHS subsidiary in Argentina with the Argentinian peso as functional currency, the standard for hyperinflation (IAS 29) has been applied retrospectively since the financial year 2018, 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 from FACPCE for the measuring unit valid on the reporting date. Due to the appreciation of property, plant and equipment, there was an adjustment of equity of approximately €1 million. The effect on the current result is of immaterial significance. There are thus no significant effects on the FUCH 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. Comparative amounts previously reported in a stable currency were not adjusted.

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.

At FUCHS the initial application of IFRS 9 from January 1, 2018 took place using the modified retrospective method, without adjustment of the comparative information for prior periods which are still reported in line with IAS 39. The transitional effects at initial application are cumulatively recognized in equity.

In the measurement of financial instruments, IFRS 9 continues to use the previous values "amortized cost" and "fair value" and continues to differentiate the changes in fair value in income or 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 the financial assets, an investment which was reported in previous years at cost in line with IAS 39, is reported at fair value using a discounted cash flow method in line with IFRS 9 from the 2018 reporting year. At the transition date as of January 1, 2018, there was a €6 million increase in the investment, which was offset against retained earnings. For this investment, which is not held for trading as an unlisted equity instrument, the FUCHS Group utilizes the option of recognizing changes at fair value through other comprehensive income in the statement of comprehensive income.

Financial liabilities

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

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

With the exception of the investment described above, there were no reclassifications in connection with the initial application of IFRS 9 in the financial year 2018. In the previous year, in line with IAS 39, no financial liabilities were assigned to the measurement categories “financial assets available for sale” or “at fair value through profit or loss” (exception: derivatives).

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

→ [122 Financial instruments](#)

Under IFRS 9, in contrast to IAS 39, impairment on financial assets which is not recognized at fair value in profit and loss is recognized not only then when there are objective indications of impairment. Instead impairments are also to be recognized for expected credit losses. The extent is determined both by the credit risk of a financial asset and by the change of the respective credit risk. If the credit risk of the financial asset has significantly increased since its initial recognition, then the expected lifetime credit losses of an asset are recognized. However, if the credit risk has not significantly increased in the stated period of time, then generally only the expected credit losses expected in the next twelve months are recognized as impairment.

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

In addition, trade receivables and other financial assets not recognized at fair value in profit and loss, such as loans and other receivables and other financial assets, are tested for impairment individually if there are objective indications of impairment. If there is objective evidence for an impairment of the previously stated financial assets, an individual valuation adjustment is undertaken. When assessing the need for an impairment, past due payments as well as regional, sector and company-specific conditions are considered. In addition, use is made of external ratings as well as the assessments of debt collection agencies and credit insurers when available. In this way, it can be ensured that all receivables and loans which are not of excellent credit quality are immediately impaired. Receivables and loans are derecognized when their uncollectibility is finally determined. If the reason for an impairment no longer exists, a write-up is recognized in profit or loss totaling not more than the amortized cost.

The first-time application of IFRS 9 resulted in an increase of €1 million in write-downs of trade receivables as of January 1, 2018, which was offset against retained earnings after taking deferred taxes of rounded €0 million into account.

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

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

The FUCHS Group uses derivative financial instruments (derivatives) solely to limit the risks in its operating business and the resultant financial transactions arising from fluctuations in interest rates and exchange rates. As in the previous year, all hedging instruments are recognized in profit or loss.

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

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

→ [122 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 saleability. 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 increase of German pensions obligations as a result of the transition from the 2005 G to 2018 G mortality tables amounted to €1 million as of December 31, 2018 and was reported as actuarial losses directly in equity.

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 recognized at amortized cost. Derivatives recognized with a negative fair value are an exception here. Finance lease liabilities are reported at the present value of future lease payments and reported in other financial liabilities.

Notes to the income statement

1 Sales revenues

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

Sales revenues

	Europe		Asia-Pacific, Africa		North and South America		FUCHS Group	
	in € million	in %	in € million	in %	in € million	in %	in € million	in %
2018								
Automotive lubricants	631	46	450	58	71	17	1,152	45
Industrial lubricants and specialties	681	49	330	42	332	82	1,343	52
Other products	65	5	3	0	4	1	72	3
	1,377	100	783	100	407	100	2,567	100
2017								
Automotive lubricants	636	47	426	58	67	17	1,129	46
Industrial lubricants and specialties	658	49	298	41	316	82	1,272	51
Other products	56	4	9	1	7	1	72	3
	1,350	100	733	100	390	100	2,473	100

The product area automotive lubricants particularly include engine oils, gear oils and shock-absorber fluids. Sales revenues of this product area realized in relation to a point in time increased in the FUCHS Group by 2% to €1,152 million (1,129). Its share in Group sales revenues decreased to 45% (46).

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 increased in the FUCHS Group by 6% to €1,343 million (1,272). At 52% (51), this group represents the largest share of Group sales revenues.

Other products mainly include toll blending, chemical process management and trade activities. The share in the FUCHS Group at €72 million (72) or 3% (3) was at the same level as the previous year.

In comparison with the provisions of IAS 18 applicable prior to the introduction of IFRS 15, the application of these provisions in the financial year 2018 would not have had any impact on the amount of revenue recognized. The different reporting of refund liabilities for rebates under “trade payables” instead of “other provisions” amounted to €13 million as of December 31, 2018.

2 Cost of sales

in € million	2018	2017
Cost of purchased raw materials, supplies, goods for resale and purchased services	1,497	1,431
Cost of materials	1,497	1,431
Staff costs	88	83
Depreciation and amortization of property, plant and equipment and intangible assets	25	23
Third-party services	23	22
Maintenance costs	15	14
Energy costs	11	10
Other costs	9	8
	1,668	1,591

3 Selling and distribution expenses

in € million	2018	2017
Staff costs	164	164
Freight	97	94
Travel expenses	15	14
Marketing costs	15	14
Commission payments	10	11
Third-party services	16	15
Rental and lease expenses	11	11
Depreciation and amortization of property, plant and equipment and intangible assets	21	19
Maintenance costs	4	4
Other taxes	1	2
Other costs	12	13
	366	361

Marketing costs also include expenses for automotive and motor-bike sponsoring, participation in trade fairs, advertising materials, promotional gifts, and advertisements. Third-party services comprise distribution services, trademark management and pro rata costs for the operation of the data center and the ERP systems. Other costs include pro rata costs of communication and pro rata insurance premiums.

4 Administrative expenses

in € million	2018	2017
Staff costs	73	70
Third-party services	13	12
Depreciation and amortization of property, plant and equipment and intangible assets	8	7
Audit and consultancy costs	7	6
Other taxes	4	4
Rental and lease expenses	3	4
Travel expenses	4	4
Maintenance costs	3	2
Other costs	12	12
	127	121

Third-party services also comprise the costs of trademark and brand management, as well as pro rata costs for the operation of the data center and the ERP systems. Other costs include pro rata communication costs and pro rata insurance premiums.

5 Other operating income and expenses

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

Other operating income and expenses

in € million	2018	2017
Income from		
Currency exchange gains	9	9
Reversal of provisions	1	4
Licenses and own work capitalized	2	2
Reversals of write-downs of receivables	2	6
Income from the disposal of fixed assets	0	1
Miscellaneous operating income	11	9
Other operating income	25	31
Other operating expenses		
Currency exchange losses	9	10
Write-downs of receivables	3	2
Restructuring costs and severance payments	1	2
Losses from the disposal of fixed assets	0	0
Impairments on goodwill	0	6
Past service cost pension obligations	1	0
Miscellaneous operating expenses	8	8
Other operating expenses	22	28
Other operating income and expenses	3	3

Miscellaneous operating income also includes subsidies, government grants, compensation payments received, refund claims, and income from other sales and services.

Write-downs of receivables include irrecoverable receivables of €1 million (1).

In the previous year, impairment on goodwill relates to our subsidiary in Sweden. Please refer to note 13 for further information.
→ [108 Intangible assets](#)

Miscellaneous operating expenses also include purchase costs for other sales, license expenses, as well as provisions for risks from non-operating items, such as environmental commitments, provisions for transfer taxation risks and legal and litigation costs.

6 Income from companies consolidated at equity

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

Income from companies consolidated at equity

in € million	2018	2017
Income from companies consolidated at equity	26	17

Income from companies consolidated at equity is positively impacted by a one-off effect of €12 million from the sale of a 50% share in an investment.

More information is provided in note 15 “Shares in companies consolidated at equity.”

→ [111 Shares in companies consolidated at equity](#)

7 Financial result

in € million	2018	2017
Other interest and similar income		
Other (mainly banks)	1	1
Interest income	1	1
Interest and similar expenses		
Other (mainly banks)	-2	-2
Pension obligations		
Interest expense	-3	-3
Interest income from plan assets	2	2
Interest expenses	3	3
Financial result	-2	-2

8 Income taxes

Taxes on income comprise income taxes paid or payable in the various countries, plus deferred taxes. The calculation of deferred taxes is based on the tax rates expected to apply in the various countries at the time of realization, based on the tax laws applicable or passed at the end of the reporting period.

Income taxes

in € million	2018	2017
Current taxes	97	106
thereof Germany	47	46
thereof international	50	60
Deferred taxes	-4	-4
thereof Germany	-1	0
thereof international	-3	-4
Total	93	102

Current taxes comprise €1 million (1) in tax income for previous financial years.

The German tax rate is based on the corporation tax rate of 15.8% (15.8) and includes the solidarity surcharge of 5.5%. Including trade tax of 15.1% (15.1), the total tax burden in Germany is about 30.9% (30.9).

Profits generated by our companies outside Germany are taxed at the respective local rates. The tax rates applied in these individual countries for calculating deferred taxes are between 10.0% (10.0) and 34.0% (35.0).

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	2018	in %	2017	in %
Earnings before tax (EBT)	381		371	
Expected tax expense	118	31.0	114	30.9
Taxation rate differences	-19	-5.0	-16	-4.3
Non-deductible expenses	4	1.1	4	1.1
Tax-free income	0	0.0	-1	-0.3
Income from companies consolidated at equity	-8	-2.1	-5	-1.4
Taxes for prior periods	-3	-0.8	-1	-0.3
Withholding taxes	2	0.5	5	1.4
Other	-1	-0.3	2	0.5
Reported tax expense	93	24.4	102	27.6

In the previous year, due to the tax reform in the USA passed in December 2017, the reduction in the tax rate basis by approximately 14 percentage points resulted in deferred tax income of approximately €5 million from the revaluation of deferred taxes. This is included in the 2017 reconciliation statement in the tax rate differences and the reported tax expense. As a result, the tax rate has declined.

The reported tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 24.4% (27.6). The Group's tax rate adjusted for income from companies consolidated at equity is 26.2% (28.8).

9 Non-controlling interests

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

10 Earnings per share

in € million	2018	2017
Profit attributable to shareholders of FUCHS PETROLUB SE	288	269
Earnings per ordinary share in €		
Earnings per share	2.06	1.93
Weighted average number of ordinary shares	69,500,000	69,500,000
Earnings per preference share in €		
Earnings per share	2.07	1.94
Weighted average number of preference shares	69,500,000	69,500,000

Pursuant to IAS 33, the additional dividend of €0.01 per share to be distributed to preference shareholders is allocated in advance. The remainder of the Group's earnings after tax and non-controlling interests is distributed on a weighted basis among the two share classes.

Diluted earnings per share are the same as basic earnings per share.

11 Other taxes

The reported figure of €6 million (7) concerns non-income taxes, which are included in the operating function costs. €4 million (5) of this amount is attributable to foreign Group companies in Argentina, China, France, Great Britain, and the USA.

12 Staff costs/employees**Staff costs**

in € million	2018	2017
Wages and salaries	302	290
Social security contributions and expenses for pensions and similar obligations	56	56
thereof for pensions	8	9
	358	346

Staff costs of €88 million (83) are attributable to cost of sales, €164 million (164) to selling and distribution expenses, €73 million (70) to administrative expenses and €33 million (29) to research and development expenses.

For ordinary shares with a value of €0.6 million (0.6), which were offered for sale to entitled employees in Germany at preferential conditions within the context of the employee share program, there were expenses of €0.1 million (0.1).

Employees

Annual average	2018	2017
Europe	3,412	3,329
Asia-Pacific, Africa	1,142	1,072
North and South America	671	636
Holding companies	114	110
Number of employees	5,339	5,147
thereof trainees	123	117

The average number of employees includes trainees.

Notes to the balance sheet

13 Intangible assets

Development of intangible assets in 2018

in € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec 31, 2017	193	214	1	408
Currency exchange differences	0	1	0	1
Additions from acquisitions	1	1	0	2
Additions	0	5	1	6
Disposals	0	0	0	0
Reclassifications	0	3	-2	1
Dec 31, 2018	194	224	0	418
Accumulated amortization				
Dec 31, 2017	20	101	0	121
Currency exchange differences	0	0	0	0
Scheduled amortization	0	18	0	18
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Dec 31, 2018	20	119	0	139
Net value Dec 31, 2018	174	105	0	279

Development of intangible assets in 2017

in € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec 31, 2016	200	219	0	419
Currency exchange differences	-7	-7	0	-14
Additions from acquisitions	0	1	0	1
Additions	0	2	1	3
Disposals	0	-1	0	-1
Reclassifications	0	0	0	0
Dec 31, 2017	193	214	1	408
Accumulated amortization				
Dec 31, 2016	15	87	0	102
Currency exchange differences	-1	-3	0	-4
Scheduled amortization	0	17	0	17
Impairment losses	6	0	0	6
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Dec 31, 2017	20	101	0	121
Net value Dec 31, 2017	173	113	1	287

Goodwill of the cash-generating units

Overview of the goodwill

in € million	2018	2017
FUCHS CORPORATION, USA (subgroup)	88	86
FUCHS SCHMIERSTOFFE GMBH (incl. merged DEUTSCHE PENTOSIN- WERKE GMBH), Germany	43	43
14 other (previous year: 13) cash-generating units	43	44
Goodwill	174	173

Goodwill is not subject to any amortization, but undergoes an impairment test at least once a year in line with IAS 36 and also whenever there are indications of an impairment. Impairment losses are recognized as and when appropriate.

An impairment is to be recognized if the carrying amount of the cash-generating unit's net assets, including assigned goodwill, exceeds the recoverable amount. A cash-generating unit is generally formed by a subsidiary. The recoverable amount was determined using the concept of value in use. A discounted cash flow method is used to determine the value in use. The subsidiaries' mid-term planning, which consists of the budget plan 2019 and the plan years 2020 and 2021, was used as the basis for cash flow planning. The planning is based on past experience, the current operating results, and the best possible estimate of corporate management regarding future developments. The projected figures are based on detailed individual budgets and their extrapolation. These incorporate growth rate assumptions, which take into account the conditions in the local sales markets at the time of budget drafting, current expectations regarding price trends in the procurement markets and inflation expectations. Alongside inflation and country risks, local taxation rates are also considered in the discount rate.

For the time period following mid-term planning, a terminal value is extrapolated based on the last detailed planning year. When determining the terminal value, country-specific growth rates of 0.5% (0.5) to 1.0% (1.0) are taken into account to consider inflation-based growth. The impairment tests performed for FUCHS CORPORATION, USA, and FUCHS SCHMIERSTOFFE GMBH, Mannheim, 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 individual cash-generating units, discount rates of 7% (7) to 13% (13) after taxes were applied, taking into account country-specific risks. Discount rates before tax range from 9% (9) to 16% (15). A weighted cost of capital of 7% (7) after taxes or 9% (9) and 10% (10) before taxes was taken into account in the impairment tests performed for FUCHS CORPORATION, USA and FUCHS SCHMIERSTOFFE GMBH, Mannheim.

In financial year 2018, there was no impairment on goodwill. In view of declining sales from exports to Eastern Europe and revised assumptions on production utilization for exports at FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, goodwill impairments of €6 million were taken in the previous year. At €48 million, the recoverable amount determined for this cash-generating unit was below the carrying amount in the previous year. As of December 31, 2018, the recoverable amount exceeds the carrying amount by approximately €3 million. As in the previous year, the material assumption relating to cash flow is replacing the leased plant with the new plant on which construction has commenced. In the detailed planning period, the cash outflows budgeted for the completion are included, while the last plan year includes positive cash flows from optimized production. In the impairment test a weighted average cost of capital of 7.0% (7.0) after taxes and a growth rate of 0.5% (0.5) were used.

Impairments are reported in other operating expenses.

Sensitivity calculations were made to account for assessment uncertainties. Firstly a 20% reduction of future cash flows was assumed here. On the other hand, the weighted average cost of capital was increased by one percentage point. With both variants, exclusively for the Swedish subsidiary this sensitivity analysis would have resulted in an additional impairment requirement of €6 million on the entire remaining goodwill. The recoverable amount would correspond to the carrying amount of the Swedish subsidiary, if the future cash flows were to be reduced by 6% or the weighted average cost of capital increased by 0.25 percentage points.

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 four years have a residual book value of around €67 million (74). Their remaining useful life is generally between 7 and 10 years (between 8 and 11 years).

Advance payments on intangible assets

Intangible assets also comprise advance payments of €0 million (1).

14 Property, plant and equipment

→ # Development of property, plant and equipment

Government grants of €20 million received in previous years for the construction of the new plant in Wujiang/China, were offset against additions of €20 million to assets under construction.

Additions in 2018 are essentially related to the locations in Germany, USA, China and Sweden.

Development of property, plant and equipment in 2018

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Acquisition and manufacturing costs (gross)					
Dec 31, 2017	310	336	148	57	851
Currency exchange differences	-1	-2	-1	0	-4
Additions	19	23	17	56	115
minus government grants	0	0	0	-20	-20
Adjustment for hyperinflation	2	1	0	0	3
Disposals	-3	-5	-11	0	-19
Reclassifications	16	19	-2	-34	-1
Dec 31, 2018	343	372	151	59	925
Accumulated depreciation					
Dec 31, 2017	88	189	103	0	380
Currency exchange differences	0	0	0	0	0
Scheduled depreciation	9	21	10	0	40
Impairment losses	0	0	0	0	0
Adjustment for hyperinflation	1	1	0	0	2
Disposals	-2	-5	-11	0	-18
Reclassifications	0	0	0	0	0
Dec 31, 2018	96	206	102	0	404
Net value Dec 31, 2018	247	166	49	59	521

Development of property, plant and equipment in 2017

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, 2016	280	311	139	62	792
Currency exchange differences	-13	-15	-3	-4	-35
Additions from acquisitions	0	0	0	0	0
Additions	12	28	13	49	102
Disposals	-2	-3	-3	0	-8
Reclassifications	33	15	2	-50	0
Dec 31, 2017	310	336	148	57	851
Accumulated depreciation					
Dec 31, 2016	84	183	98	0	365
Currency exchange differences	-5	-9	-3	0	-17
Scheduled depreciation	9	17	10	0	36
Impairment losses	0	0	0	0	0
Disposals	0	-2	-2	0	-4
Reclassifications	0	0	0	0	0
Dec 31, 2017	88	189	103	0	380
Net value Dec 31, 2017	222	147	45	57	471

15 Shares in companies consolidated at equity

This item is made up of four (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, 2018 prepared in accordance with the respective national legislation and adapted in line with the requirements of IFRS.

Please refer to the list of shareholdings under note 38 for information on the composition of joint ventures and associates.

→ [136 Shareholding](#)

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

Shares in companies consolidated at equity

in € million	2018	2017
Carrying amount of shares in companies consolidated at equity on January 1	37	38
Retirement of carrying amount of a 50% shareholding	-3	0
Pro rata earnings after tax	14	17
Pro rata dividends received	-2	-12
Pro rata other comprehensive income	-8	-6
Carrying amount of shares in companies consolidated at equity on December 31	38	37

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

Income from companies consolidated at equity

in € million	2018	2017
Pro rata earnings after tax	14	17
Income on disposal of a company consolidated at equity	12	0
Income from companies consolidated at equity	26	17

Income from companies consolidated at equity is positively impacted by a one-off effect of € 12 million from the sale of a 50% share in an investment.

The following table shows summarized earnings data and the carrying amount for one (previous year: two) joint ventures, which are insignificant when taken separately:

Carrying amount and summarized earnings of joint ventures

in € million	2018	2017
Carrying amount of joint ventures accounted for using the equity method	20	25
Earnings after tax	10	15
Pro rata earnings after tax	5	7
Pro rata other comprehensive income	-5	-4
Pro rata comprehensive income after tax	0	3

The following table shows a summary of earnings and the carrying amount for the three associates, which are insignificant when taken separately:

Carrying amount and summarized earnings of associates

in € million	2018	2017
Carrying amount of associates accounted for using the equity method	18	12
Earnings after tax	20	31
Pro rata earnings after tax	9	10
Pro rata other comprehensive income	-3	-2
Pro rata comprehensive income after tax	6	8

16 Other financial assets

in € million	2018	2017
Investments in companies	7	1
Other loans	1	1
	8	2

A non-listed investment reported in previous years at cost in line with IAS 39, is reported at fair value using a discounted cash flow method in line with IFRS 9 from the 2018 reporting year. At the transition date as of January 1, 2018, there was a €6 million increase in the investment, which was offset against retained earnings.

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

17 Deferred tax assets and liabilities

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

Deferred tax assets and liabilities

in € million	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
Property, plant and equipment	2	1	15	13
Other non-current assets	3	2	23	25
Inventories	12	11	0	0
Other current assets	2	2	1	1
Non-current provisions	10	12	1	1
Other non-current liabilities	0	0	7	7
Current provisions and liabilities	11	9	1	1
Expected use of losses carried forward	0	0	0	0
Total deferred tax assets / liabilities	40	37	48	48
Tax offset	-14	-14	-14	-14
Total assets / liabilities	26	23	34	34

The total amount of deferred tax assets of €26 million (23) is essentially attributable to measurement differences between the inventory items (elimination of intercompany profits), other current assets, pension obligations, and current provisions and liabilities in the IFRS balance sheet and their tax base. The deferred tax liabilities of €34 million (34) are essentially the result of temporary measurement differences (different depreciation methods and useful lives) between the IFRS balance sheet and their tax base in property, plant and equipment, as well as from the measurement of assets at fair value pursuant to IFRS within the scope of acquisitions, for which the values in the tax balance sheet differ.

Tax loss carryforwards in the Group amount to €3 million (3). €2 million (2) thereof is attributable to the Europe region (excluding Germany), while €1 million (1) is attributable to the Asia-Pacific region. The deferred tax assets of €1 million (1) recognized in this connection were subject to impairment losses of €1 million (1), as it is unlikely that loss carryforwards will be utilized in the foreseeable future.

A deferred tax liability of €6 million (7) 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 €17 million (14) 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 €3 million (4) in the year under review. Taking into account deferred taxes for the financial year 2018, which are recognized outside profit or loss and result from the allocation of pension obligations of €0 million (–2), income from deferred taxes of €–4 million (–4) was reported in the income statement after allowing for currency effects.

18 Inventories

The reported inventories comprise the following:

Composition of inventories

in € million	Dec 31, 2018	Dec 31, 2017
Raw materials and supplies	155	144
Work in progress	25	23
Finished goods and merchandise	230	199
	410	366

Write-downs of inventories totaling €1 million (0) were recognized in profit or loss 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 (4).

19 Trade receivables

in € million	Dec 31, 2018	Dec 31, 2017
Receivables due from customers	377	371
Receivables due from joint ventures and associates	2	3
	379	374

The first-time application of IFRS 9 resulted in an increase of €1 million in write-downs of trade receivables as of January 1, 2018, which was offset against retained earnings after taking deferred taxes of rounded €0 million into account.

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

Development of write-downs

in € million	2018	2017
Impairments as of December 31 (previous year)	11	17
Other comprehensive income adjustments in line with IFRS 9 as of January 1, 2018	1	0
Currency differences	0	–1
Additions	2	1
Utilization	–1	–1
Reversals	–2	–5
Impairments as of December 31	11	11

The following table provides information on the extent of credit risks in the trade receivables as of December 31, 2018 and January 1, 2018:

Receivables by maturity as of December 31, 2018

in € million	Europe	Asia-Pacific, Africa	North and South America	FUCHS Group
Not yet due	166	110	42	318
Overdue				
less than 30 days	18	12	12	42
30 to 90 days	7	7	3	17
91 to 180 days	2	1	1	4
181 to 360 days	2	1	0	3
more than 360 days	4	1	1	6
Total gross receivables	199	132	59	390
Minus expected credit losses (range in %)	0.25–4.25	0.25–2.00	0.50–1.50	
Minus expected credit losses	–2	–1	0	–3
Minus individually assessed allowances	–5	–2	–1	–8
Trade receivables	192	129	58	379

Receivables by maturity as of January 1, 2018

in € million	Europe	Asia-Pacific, Africa	North and South America	FUCHS Group
Not yet due	174	114	36	324
Overdue				
less than 30 days	19	9	9	37
30 to 90 days	5	5	2	12
91 to 180 days	1	1	0	2
181 to 360 days	2	1	0	3
more than 360 days	5	1	1	7
Total gross receivables	206	131	48	385
Minus expected credit losses (range in %)	0.25–4.25	0.25–2.00	0.50–1.50	
Minus expected credit losses	–2	–1	0	–3
Minus individually assessed allowances	–7	–1	–1	–9
Trade receivables	197	129	47	373

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 180 to 360 days past due and more than 360 days past due are combined into a second risk class with a higher credit and default risk. Individual value adjustments are made for this risk class if there are objective indications of impairment, e.g. for customers in financial difficulties. In addition, individually assessed allowances are made in line with how past due the receivables are.

20 Current tax receivables (income tax)

This item comprises tax refund claims which are mainly attributable to Australian, Germany, Italian, Swedish, American and South African income taxes.

21 Other receivables and other assets**Other current receivables and assets**

in € million	Dec 31, 2018	Dec 31, 2017
Receivables due from joint ventures and associates	0	0
Other taxes	11	6
Sundry other assets	17	16
	28	22

At €8 million (3), other taxes mainly include VAT receivables.

The Group's sundry other assets include the current portion of customer loans of €2 million (1) in connection with delivery agreements in France. The non-current portion of these loans is reported in other non-current financial assets. In addition to this, other assets include forward currency transactions with positive fair values of €0 million (0). Other assets also include advance rental payments, prepaid expenses, refund claims, and other customer loans, and receivables from other sales. Total impairments of €3 million (3) are taken into account here.

Other non-current receivables and assets

Other non-current receivables and assets amount to €1 million (1).

22 Cash and cash equivalents

Cash and cash equivalents of €195 million (161) comprise bank deposits, cash in hand, checks and bills of exchange not yet presented, and securities of €120 million (41) with a maturity of less than three months.

23 Shareholders' 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, 2018	Dec 31, 2017
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 2019 Annual General Meeting: €0.94 per ordinary share entitled to dividend payments and €0.95 per preference share entitled to dividend payments. Dividends of €0.90 per ordinary share and €0.91 per preference share were paid in 2018.

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 (previous year: Austria, France and Greece).

24 Pension provisions

Pension provisions are recognized for obligations arising from entitlements to future benefits and from current benefits paid to former employees of the FUCHS Group and their surviving dependents. The occupational pension plans in place within the Group are financed by provisions and funds and consist of defined contribution and defined benefit plans.

The defined benefit obligation is reduced by the fair value of the plan assets. Changes resulting from the remeasurement of net debt are recognized outside profit or loss in the period in which they occur and are offset against Group reserves. These adjustments are set out in the statement of changes in equity of the Group.

→ [84 Statement of changes in equity](#)

In Germany, measurement is based on the following assumptions:

Valuation assumptions Germany

in %	2018	2017
Discount rate	1.9	1.8
Salary trend	2.5	2.5
Pension trend	1.5	1.5

The obligations of companies outside Germany are determined according to the country-specific accounting regulations and parameters. The mean values are calculated on a weighted basis.

Valuation assumptions outside Germany

in %	2018	2017
Discount rate	from 1.1 to 8.8	from 0.9 to 7.5
Average discount rate	2.6	2.4
Salary trend	from 1.5 to 9.0	from 1.5 to 9.0
Average salary level trend	2.3	2.3
Pension trend	from 0.1 to 7.0	from 0.1 to 5.0
Average pension level trend	2.4	2.3

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, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Present value of benefit obligations financed by funds in Germany	73	74	79	69	74
Present value of benefit obligations financed by funds outside Germany	52	54	54	49	47
Present value of benefit obligations financed by provisions in Germany	1	1	1	5	1
Present value of benefit obligations financed by provisions outside Germany	6	7	6	6	5
Total defined benefit obligations	132	136	140	129	127
Fair value of plan assets in Germany	63	64	63	58	57
Fair value of plan assets outside Germany	45	47	43	38	34
Funding status	24	25	34	33	36
Similar obligations	1	1	1	0	0
Net obligation as of December 31	25	26	35	33	36
Disclosures in the balance sheet:					
Pension provision	25	26	35	33	36

The key pension plan provisions are described in the following:

In Germany, defined benefit occupational pension provision plans are in place for some of the employees working for German Group companies. The benefits are generally based on the term of employment and fixed amounts or the final salary of the beneficiary. The benefits comprise an old-age pension, disability pension and survivors' pension. German defined benefit pension plans have been discontinued since 1983. In 2011, the German pension obligations financed by provisions were transferred almost entirely to the external pension provider ALLIANZ. In 2016, €4 million in other German pension obligations that were previously financed with provisions were transferred to the external pension provider ALLIANZ. Since then, they have been reported under pension obligations funded by pension plans. The remaining amount is funded by provisions. The transfer comprised a combined model, made up of transfers of vested benefits in the ALLIANZ pension fund and future benefits yet to be vested in the ALLIANZ relief fund.

In addition, employee-financed pension obligations from the deferred compensation program are also in place in Germany. As of December 31, 2018, pension obligations amounted to €6 million (6), which were offset against assets of €5 million (5) in the consolidated balance sheet. The €1 million (1) balance made up of obligations and assets is reported in similar obligations.

If occupational pension plans are in place at Group companies outside Germany, these are fund-financed provision systems with "defined benefit" commitments and, in some cases, "defined contribution" commitments.

Meanwhile, contribution-based systems have been introduced for new pension commitments in the USA and Great Britain. Existing defined benefit obligations in the US were frozen in 2009 and transferred to a defined contribution system. The plan termination and payment of these balances in the USA took place already in 2011.

The pension obligations financed by funds outside Germany primarily concern our company in Great Britain. The occupational pension provision schemes based on defined benefit obligations arise from a performance-based provision plan based on years of

service and final salary, which is now closed. The benefits comprise an old-age pension and survivors' pension. These are financed via a fund, which is independent from the company. The fund manager is legally obliged to act in the interests of the beneficiaries, and specifies the goals and strategies of the fund, for example the investment policy, premium contributions or indexing. Both employers and employees contribute to the fund.

The following table shows the development in the present value of benefit obligations:

Pension obligations

in € million	2018	2017
Present value as of January 1	136	140
Currency effects	-2	-2
Current service cost	3	3
Interest expense	3	3
Remeasurements		
Actuarial gains due to financial assumptions	-5	-1
Actuarial losses (previous year: gains) due to demographic assumptions	1	-1
Actuarial gains from experience adjustments	0	-1
Benefits paid	-5	-5
Past service cost (United Kingdom)	1	0
Present value as of December 31	132	136
Netting with plan assets	108	111
Funding status	24	25
Similar obligations	1	1
Pension provisions as of December 31	25	26

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 wage/salary or pension developments would have had the following effects on the present value of pension obligations as of December 31, 2018 (December 31, 2017):

Sensitivity analyses

Effects (in € million) on the present value of defined pension obligations due to	Germany	Inter-national	Total
Change in discount rate			
Increase by 0.5 percentage points	-5 (-5)	-5 (-5)	-10 (-10)
Decrease by 0.5 percentage points	6 (6)	5 (5)	11 (11)
Change in anticipated wage/salary developments			
Increase by 0.25 percentage points	0 (0)	1 (2)	1 (2)
Decrease by 0.25 percentage points	0 (0)	-1 (-1)	-1 (-1)
Change in anticipated pension developments			
Increase by 0.25 percentage points	1 (1)	1 (1)	2 (2)
Decrease by 0.25 percentage points	-1 (-1)	-1 (-1)	-2 (-2)

As of December 31, 2018, the weighted average term of defined benefit obligations was 14.4 years (14.6) to plans in Germany and 19 years (19) to plans outside Germany.

Additional life expectancy of one year would lead to an increase in the present value of pension obligations of €3 million (3); €2 million (2) thereof is attributable to plans in Germany and €1 million (1) is to plans outside Germany.

Plan assets developed as follows:

Development of plan assets

in € million	2018	2017
Fair value as of January 1	111	106
Currency effects	0	-1
Interest income from plan assets	2	2
Current contributions	4	5
Benefits paid	-5	-5
Remeasurements		
Actuarial losses (previous year: gains) due to financial assumptions	-4	4
Fair value as of December 31	108	111

Net pension provisions developed as follows:

Development of net pension provisions

in € million	2018	2017
Net pension provisions as of January 1	25	34
Currency effects	-2	-1
Current service cost	3	3
Interest expense	3	3
Interest income from plan assets	-2	-2
Current contributions	-4	-5
Remeasurements		
Actuarial gains and losses from performance obligations	-4	-3
Actuarial losses (previous year: gains) from plan assets	4	-4
Benefits paid	0	0
Past service costs (United Kingdom)	1	0
Net provisions as of December 31	24	25
Similar obligations	1	1
Pension provisions as of December 31	25	26

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

→ [# Asset classes of the plan assets](#)

German plan assets are financed only with insurance policies provided by ALLIANZ Lebensversicherung. The return on plan assets for the year 2018 was based on the discount rate of 1.8% (1.5). The actual return on plan assets calculated was 3.3% (5.7). 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 Great Britain comprise equity instruments and debt instruments. The return on plan assets was based on an average rate of 2.5% (2.7). The actual return on plan assets averaged -5.8% (+9.1).

Asset classes of the plan assets

in € million	Dec 31, 2018			Dec 31, 2017		
	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		63	63		64
Equity instruments	35		35	36		36
Debt instruments	10		10	11		11
Fair value of plan assets	45	63	108	47	64	111

Total current contributions of €4 million (4) are budgeted for 2019 in Germany and abroad. Statutory minimum funding requirements are taken into account in Great Britain. 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-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.

59% (58) 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 32% (32) of plan assets are invested in equity instruments, while a further 9% (10) of these are invested in debt instruments. 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 €19 million (17) and are made up of the following components:

Total pension expenses

in € million	2018	2017
Current service cost	3	3
Past service cost	1	0
Interest expense	3	3
Interest income from plan assets	-2	-2
Expenses for defined benefit pension plans	5	4
Expenses for defined contribution pension plans	14	13
Total pension expenses	19	17

The net interest expenses from defined pension obligations amounting to €1 million (1) are the balance resulting from interest expenses of €3 million (3) from the interest accrued on pension obligations less interest income of €2 million (2) from the return on plan assets.

Pension expenses and benefit payments also include the payments for the defined contribution pension plans. At €7 million (7), the share of pension contributions paid by the employer in Germany has been included in defined contribution pension plans.

25 Trade payables

in € million	Dec 31, 2018	Dec 31, 2017
Trade payables	195	187
Customer discounts (credit notes and bonuses)*	13	11
Bills payable	3	2
Advance payments received	2	5
	213	205

* Previous-year figures made comparable. Obligations from customer rebates (credits and bonuses) amounting to €11 million as of December 31, 2017, were reclassified from other provisions to trade payables in accordance with IFRS 15.

26 Other provisions

Current provisions

Current provisions mainly consist of the following:

Current provisions

in € million	Dec 31, 2018	Dec 31, 2017
Environmental obligations	6	8
Warranty	1	1
Costs for preparing the annual financial statements	1	1
Restructuring and redundancy payments	0	1
Compensation of the Supervisory Board	1	1
Other obligations	15	16
	24	28

The current provisions are detailed below:

Development of current provisions

in € million	Dec 31, 2017	Currency difference	Additions	Utilization	Reversals	Dec 31, 2018
Environmental obligations	8	0	0	1	1	6
Warranty	1	0	0	0	0	1
Costs for preparing the annual financial statements	1	0	1	1	0	1
Restructuring and redundancy payments	1	0	0	1	0	0
Compensation of the Supervisory Board	1	0	1	1	0	1
Other obligations	16	-1	11	11	0	15
	28	-1	13	15	1	24

As of December 31, 2018, due to IFRS 15, obligations from customer discounts (credit notes and bonuses) were recognized in trade payables (previously in other provisions). The previous-year figures were shown on a comparable basis accordingly.

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

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

Other obligations also include provisions for legal and litigation costs, provisions for transfer taxation risks and other obligations and deferrals arising from transactions with suppliers and customers.

Interest has not been accrued for any current provisions.

Other non-current provisions

→ # Development of non-current provisions

This item also includes non-current provisions resulting from employee benefit obligations, such as anniversary bonuses.

Employees in Germany have the option to invest balances in lifetime working accounts. For the long-term accounts set up, the provisions measured at their settlement value of €9 million (7) are netted against the corresponding fair value of assets of €9 million (7) (acquisition costs of €9 million – previous year €7 million). In the income statement, expenses and income of €2 million (1) each were offset against each other.

Development of non-current provisions

in € million	Dec 31, 2017	Currency difference	Additions	Utilization	Reversals	Dec 31, 2018
Other non-current provisions	4	0	0	0	0	4

27 Current tax liabilities

This item includes total liabilities for income taxes of €29 million (28). This year-on-year increase is mainly attributable to the rise in tax provisions in Germany.

28 Current financial liabilities

All interest-bearing liabilities to banks with a remaining term of less than one year are reported in current financial liabilities.

29 Other liabilities**Other current liabilities**

Other liabilities are attributable to:

Other current liabilities

in € million	Dec 31, 2018	Dec 31, 2017
Obligations for personnel and social expenses	51	47
Fair value of derivative financial instruments	0	1
Social security	6	6
VAT liabilities	12	13
Other tax liabilities	9	10
Liabilities due to associates	0	0
Other liabilities	21	38
	99	115

The obligations for personnel and social expenses mainly relate to ex gratia payments, profit-sharing schemes, commissions, bonuses, outstanding holiday and overtime, settlements, as well as premiums for the employers' liability insurance association.

Other tax liabilities include excise taxes, payroll taxes and withholding taxes.

Other liabilities include financing liabilities of €6 million (5) related to delivery agreements in France that are reported in other assets. Commission obligations, customers with credit balances, and advance payments are also reported in this item.

Other non-current liabilities

Other non-current liabilities essentially comprise liabilities to employees at a French subsidiary. These liabilities are based on a statutory employee profit-sharing scheme and are due no earlier than 12 months after the end of the financial year.

30 Contingent liabilities and other financial obligations

The item "Securing third-party liabilities" refers mainly to "garagiste" loans. Under this procedure, which is common in France, our subsidiary guarantees repayment of loans granted directly by the bank to our contracting partner. This guarantee is part of our supply and financing agreements with our partners. There are contingent liabilities of €9 million (8) 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 €2 million (1).

Contractual obligations for the purchase of property, plant and equipment amounted to €76 million (42) as of December 31, 2018. This increase is largely the result of our new plants in China and Sweden and our new raw materials warehouses in Germany and Great Britain.

Operating lease agreements

The Group mainly utilizes rental or operating lease agreements for production plants, warehouses, office space, vehicles, forklifts and IT equipment.

The nominal value of future minimum lease payments for operating leases as of December 31, 2018 structured by maturity terms are as follows:

Maturities

in € million	Dec 31, 2018	Dec 31, 2017
Up to 1 year	15	14
1 to 5 years	14	18
More than 5 years	2	2
Total of minimum leasing payments	31	34

Rental and lease payments totaled €18 million (19) in the year under review.

31 Financial instruments

a) Carrying amounts and fair values of financial instruments

The fair value of a financial instrument is the price at which a party would be willing to assume the rights and/or obligations arising from this financial instrument from an independent third party. Due to varying factors, fair values can only be regarded as indicators for values actually realizable on the market.

The fair values of all financial instruments were determined based on the market data available at the end of the reporting period and on the methods and prerequisites specified below.

The following table shows the impact of the transition from IAS 39 to IFRS 9 on the carrying amounts as of December 31, 2017 per category of financial instruments.

→ [# Transition of carrying amounts of financial assets](#)

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 position is measured at amortized cost. It contains the carrying amounts of the securities due within three months which were allocated to the “held-to-maturity financial instruments” category in accordance with IAS 39 in the previous year.

Transition of carrying amounts of financial assets (in € million)

Balance sheet items	IAS 39 as of Dec 31, 2017		Changes due to adjustments in the		IFRS 9 as of Jan 1, 2018	
	Carrying amount	Measurement categories	Measurement category	Measurement parameter	Carrying amount	Measurement categories
Investments in companies ¹	1	At cost	6		7	Fair value through other comprehensive income
Other loans ¹	1	Loans and receivables			1	Amortized cost
Other receivables and other assets ²	8	Loans and receivables			8	Amortized cost
Trade receivables	374	Loans and receivables		-1	373	Amortized cost
Derivative financial instruments	0	Fair value through the income statement			0	Fair value through profit and loss
Cash and cash equivalents	161	Loans and receivables and held-to-maturity financial instruments			161	Amortized cost
Total of financial assets	545		6	-1	550	

¹ Shown in other financial assets.

² Current and non-current.

The financial liabilities at amortized cost category, where the carrying amount of the financial instrument corresponds largely to the fair value, include the carrying amounts of trade payables without advance payments received (December 31, 2017: €200 million), non-current and current financial liabilities (December 31, 2017: €1 million) and the other non-current and current financial liabilities (December 31, 2017: €36 million). Derivative financial instruments with a negative market value (December 31, 2017: €1 million) continue to be measured at fair value. Thus the categories and measurement of financial liabilities have not changed in comparison to the previous year as a result of the first time application of IFRS 9 as of January 1, 2018.

The following table shows the carrying amounts and categories of financial instruments as of December 31, 2018

b) Net profit or loss from financial instruments

The table below shows the net profit or loss arising from financial instruments in the income statement:

Net profit or loss from financial instruments

in € million	2018	2017
Financial assets and financial liabilities at fair value through profit and loss	0	0
Equity instruments at fair value recognized in other comprehensive income	0	0
Loans and receivables	-1	4
Financial liabilities measured at cost	0	0

Carrying amounts and categories of financial instruments as of December 31, 2018 (in € million)

Balance sheet items	Carrying amount	Measurement categories
Investments in companies ¹	7	Fair value through other comprehensive income
Other loans ¹	1	Amortized cost
Other receivables and other assets ²	9	Amortized cost
Trade receivables	379	Amortized cost
Derivative financial instruments	0	Fair value through profit and loss
Cash and cash equivalents	195	Amortized cost
Total of financial assets	591	
Financial liabilities ²	4	Amortized cost
Trade payables	211	Amortized cost
Derivative financial instruments	0	Fair value through profit and loss
Other liabilities ²	14	Amortized cost
Total of financial liabilities	229	

¹ Shown in other financial assets.

² Current and non-current.

Net profit and loss from loans and receivables comprises the balance of allowances for bad debts recognized and reversed, as well as the derecognition of irrecoverable receivables. These are reported in other operating expenses and income.

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	2018	2017
Total interest income	1	1
Total interest expenses	-2	-2

The interest from these financial instruments is reported in the Group's financial result.

d) Information on derivative financial instruments

The objective of using derivative financial instruments is to hedge interest rate and currency risks. In light of the Group's low level of gross financial debt – taking cash and cash equivalents into account, the Group is in a net cash position – the Group's strategy does not involve entering into fixed interest rate agreements or

making use of any other interest hedging methods. For this reason no derivatives were concluded to hedge interest rate risks, as in the previous year. The table below shows derivative financial instruments in place at the end of the reporting period for hedging currency risks and sorted by their time to maturity.

→ [Nominal values of derivative financial instruments for hedging currency risks](#)

The nominal volume is the total of all buying and selling amounts of currency derivatives. The nominal amounts correspond to the volumes of the underlying hedged transactions.

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 almost 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 derivative financial instruments for hedging currency risks

in € million	Dec 31, 2018				Dec 31, 2017			
	Up to 1 year	1 to 5 years	More than 5 years	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
Forward currency transactions	45	0	0	45	58	0	0	58
Nominal volume of derivatives	45	0	0	45	58	0	0	58

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

	2018
BRL/EUR	4.721
GBP/EUR	0.903
NOK/EUR	9.945
PLN/EUR	4.301
RON/EUR	4.701
RUB/EUR	77.161
SEK/EUR	10.428
ZAR/EUR	16.286

The intercompany loans as underlying hedged transactions and the related forward currency transactions are short-term. The term is generally between one and six months. 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, 2018

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	45	0	0	0
Total derivatives	45	0	0	0

Fair value as of December 31, 2017

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	58	0	0	0
Total derivatives	58	0	0	0

Management of risks from financial instruments

Due to its international business activities, the FUCHS Group is exposed to numerous risks from financial instruments. In particular, these include credit risks, e.g. those inherent to trade receivables, and market risks, e.g. changes in foreign exchange rates, interest rates and commodity prices. In addition, liquidity risks may arise due to these risks, due to the operating business and because of sudden fluctuations in the financial markets.

Major financial risks are monitored and controlled by the central treasury department of FUCHS PETROLUB SE. There are detailed guidelines and requirements, approved by the company's Executive Board, specifying how financial risks are to be controlled. Financial and currency risks are reduced by entering into term and currency-matched financing and by making use of derivatives. We employ these instruments for hedging purposes only. The fair value of the forward currency transactions is calculated on the basis of recognized valuation models and current market data. The models are assigned to Level 2 in the fair value hierarchy. This control is employed strictly according to binding internal guidelines that utilize a two-person principle that guarantees adequate functional separation between trading and processing. The fair value of a non-listed investment is determined using a discounted cash flow method. The valuation model is assigned to Level 3 in the fair value hierarchy. For further information, please refer to the note "Significant discretionary decisions, estimates and assumptions".

→ [96 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 over 100,000 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 €6 million (6) were secured.

Bad debt allowances are recorded for the remaining credit risks as soon as they exceed certain limits (for information on this see note 19). → [113 Trade receivables](#)

Derivative financial instruments and other receivables and assets

When selecting banks with which derivative transactions are concluded, FUCHS ensures that the counterparty is sufficiently creditworthy. All derivative transactions are concluded only with banks that have a Moody's long-term rating in the investment sector. Through these processes, the default risk by contracting parties (credit risk) is minimized.

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 successful 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.

Beside the €4 million (1) in lines of credit already utilized, the Group also had access to other free lines of credit of €183 million (186). 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, 2018 affect the Group's liquidity situation (non-discounted):

Maturities of contractual cash flows from financial liabilities as of December 31, 2018

in € million	Total	2019	≥2020
Financial liabilities incl. interest	4	4	0
Derivative financial instruments	0	0	0
Trade payables (without advances received)	211	211	0
Other financial liabilities	14	14	0
Total	229	229	0

Maturities of contractual cash flows from financial liabilities as of December 31, 2017

in € million	Total	2018	≥2019
Financial liabilities incl. interest	1	1	0
Derivative financial instruments	1	1	0
Trade payables (without advances received)	200	200	0
Other financial liabilities	36	36	0
Total	238	238	0

In comparison to the previous year, financial liabilities declined by €9 million to €229 million (238). All financial liabilities are current liabilities.

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 €195 million (161) and €183 million (186) in free lines of credit. In addition, the Group has current trade receivables of €379 million (374) from operating activities.

Market risks

As a result of its global business activities, the FUCHS Group faces market risks in the form of foreign exchange risks and interest rate risks. There are no stock market risks since the Group does not hold any freely tradable securities. The assets held by pension funds to meet pension obligations are explained in note 24.

→ [116 Pension provisions](#)

Exchange rate risks

In regard to exchange rate risks, we distinguish between transaction and translation risks.

The Group's transaction risks result in particular from the acquisition of operating companies in a currency that differs from the one in which sales revenues are generated. Some of the raw materials processed by FUCHS are traded in US dollars. At the same time, companies generate most of the sales revenues on the markets of their respective home country. Thus all companies located outside the US dollar zone are exposed to a US dollar transaction risk.

When exporting finished products, the currency used by the exporting company is at the same time its invoicing currency. For this reason, the importing Group companies or third-party customers are exposed to transaction risks.

Because of dividend and license income of FUCHS PETROLUB SE, which is almost always obtained in the currency of the paying company, the holding company is also exposed to a transaction risk. Particularly in relation to the US dollar, this risk counters the transaction risk of many operating companies so that a natural hedge is in place which leads to the minimization of the transaction risks existing across the entire Group.

Exchange rate risks resulting from granting Group-internal foreign currency loans are generally hedged through the agreement of corresponding forward currency transactions.

Due to the structure of the lubricants business, which does not involve long run-up periods or a high level of orders on hand, FUCHS does not hedge currency positions in the context of its operating business on a long-term basis. For the operating companies the exchange rate is rather one of several price-determining factors which is to be taken into account when calculating prices.

The FUCHS Group includes many Group companies not based in the euro area. As a result, translation risks arise due to fluctuating exchange rates when converting sales revenues and results for the Group's income statement. These may have a considerable impact on the consolidated income statement.

For FUCHS significant translation risks exist due to its activities in North and South America, the Asian-Pacific, Africa 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.

The Group has financial liabilities in the following currencies:

Financial liabilities

in € million	2018	in %	2017	in %
Indian rupee	2	50	1	100
Polish zloty	1	25	0	0
Thai baht	1	25	0	0
	4	100	1	100

Interest rate risks

In the light of the Group's sound liquidity situation, there are currently no appreciable interest rate risks that require hedging using derivative instruments.

The financial liabilities break down by interest rate agreement as follows. With the exception of the finance leasing transactions, no collateral was provided.

Financial liabilities by interest rate agreements

in € million	Effective interest rate	Fixed interest rate	Carrying amount Dec 31, 2018	Carrying amount Dec 31, 2017
	Variable interest rate			
Indian rupee	< 1 year		2	1
	Variable interest rate			
Polish zloty	< 1 year		1	0
	Variable interest rate			
Thai baht	< 1 year		1	0
			4	1

Summary of interest rate hedging periods

Interest rate hedging periods

in € million	2018	in %	2017	in %
Up to 1 year	4	100	1	100
1 to 5 years	0	0	0	0
More than 5 years	0	0	0	0
	4	100	1	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, 2018 would have had no reducing effect on the financial result (as in the previous year) – assuming that the higher interest rate had been valid during the entire year.

The **foreign currency risk** is determined based on all net foreign currency positions not hedged at the end of the reporting period. A simultaneous depreciation of the euro by 10% relative to all foreign currencies would have had a positive earnings effect of €4 million (4).

Further notes to the consolidated financial statements

32 Notes to the statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the FUCHS Group have changed in the year under review as a result of cash inflows and outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified and presented into operating activities, investing activities or financing activities.

Cash and cash equivalents as shown in the statement of cash flows comprise the cash and cash equivalents reported in the balance sheet. Beside cash and cash equivalents in the more lit-

eral 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.

The dividends received from companies consolidated at equity are recognized in cash flows from operating activities. The contribution of companies consolidated at equity is also recognized in EBIT in the income statement. This provides for better transparency of the financial position and results of operations.

The cash flows from/into investing and financing activities are determined on the basis of actual payments, adjusted for effects from currency translation and changes in the basis of consolidation. Insofar as subsidiaries or business activities are acquired or disposed of, the influences of these transactions are disclosed in dedicated items in the statement of cash flows.

→ [# Reconciliation statement in accordance with IAS 7](#)

Free cash flow is calculated on the basis of cash inflows from operating activities and cash outflows from investing activities.

Free cash flow before acquisitions is calculated with free cash flow adjusted for payments for acquisitions and proceeds from divestments.

33 Notes on segment reporting

Within the scope of segment reporting, the operating segments are made up of the geographical regions reflecting the FUCHS Group's internal organization and reporting structure. In accordance with the requirements of IFRS 8 "Operating Segments", this structure is aligned to the Group's internal control system and reflects segment reporting in the Group's management bodies. Accordingly, the primary reporting format is the regions. These are defined as Europe, Asia-Pacific, Africa and North and South America. The individual companies 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.

Reconciliation statement in accordance with IAS 7

in € million	Disclosure in the balance sheet Dec 31, 2017 (Dec 31, 2016)	Cash-effective		Non-cash changes		Disclosure in the balance sheet Dec 31, 2018 (Dec 31, 2017)
		In cash flow from financing activities	Acquisitions/ changes in the scope of consolidation	Currency effects	Changes of fair value	
Financial liabilities	1 (13)	3 (-11)	0 (0)	0 (-1)	0 (0)	4 (1)

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	2018	2017
Sales revenues		
Companies in Germany	637	633
Companies in North America (mainly in the USA)	354	336
Companies in China	457	412
Other companies	1,119	1,092
Total	2,567	2,473
Non-current assets (intangible assets and property, plant and equipment)		
Goodwill		
Companies in Germany	48	48
Companies in North America (mainly in the USA)	88	86
Other companies	38	39
Total	174	173
Other intangible assets and property, plant and equipment		
Companies in Germany	248	228
Companies in North America (mainly in the USA)	116	99
Companies in China	54	52
Other companies	208	206
Total	626	585

The overall development of segments is described on pages 88 and 89 and shows the figures for the year under review and the corresponding figures of the previous year.

→ [88 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	2018	2017
Holding companies		
Sales revenues by customer location	0	0
Sales revenues by company location	0	0
Scheduled amortization and depreciation	2	1
EBIT before income from companies consolidated at equity		-7
2017 comparable *	13	15
Segment earnings (EBIT)		-7
2017 comparable *	13	15
Additions to property, plant and equipment and intangible assets	1	1
Consolidations		
Sales revenues by customer location	0	0
Sales revenues by company location	-171	-168
Scheduled amortization and depreciation	0	0
EBIT before income from companies consolidated at equity	-2	-6
Segment earnings (EBIT)	-2	-6
Additions to property, plant and equipment and intangible assets	0	0

* The previous year's EBIT before companies consolidated at equity and segment result were made comparable with FUCHS PETROLUB SE due to the changes in the internal account system in the year 2018.

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	2018	2017
Total segment earnings (EBIT)	383	373
Financial result	-2	-2
Income taxes	-93	-102
Consolidated earnings after tax	288	269

Segment reporting also contains investments in intangible assets, property, plant and equipment, as well as additions from acquisitions, the number of employees (including trainees) in the segments as of the end of the reporting period, and the respective EBIT margins achieved before income from companies consolidated at equity.

Sales revenues by product groups are disclosed in note 1 to the income statement. → [103 Sales revenues](#)

34 Relationships with related parties

The related parties of the FUCHS Group as defined by IAS 24 are:

- directly and indirectly held subsidiaries and FUCHS PETROLUB SE companies consolidated at equity,
- the Executive Board and Supervisory Board of FUCHS PETROLUB SE,
- RUDOLF FUCHS GMBH & CO KG, through which most of the Fuchs family's ordinary stock is held,
- its full partner FUCHS INTEROIL GMBH and its management,
- RUDOLF FUCHS KAPITALANLAGEGESELLSCHAFT MBH,
- FUCHS VERWALTUNGSGESELLSCHAFT 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, FUCHS INTEROIL GMBH 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.

The FUCHS Group has receivables of €2 million (3) 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 2018 to companies consolidated at equity was €14 million (14), while other operating income was €1 million (1).

The compensation of the members of the Executive Board is made up of the following benefits:

Management Board remuneration

in € thousand	2018	2017
Short-term benefits	5,537	5,522
Post-employment benefits	756	797
Other long-term benefits	2,652	2,640
Total compensation	8,945	8,959

Compensation for members of the Supervisory Board totaled €791 thousand (778). The two staff representatives of the Supervisory Board were granted €0.3 million (0.2) for their work as employees in addition to their compensation as members of the Supervisory Board.

No consultant contracts are in place with any members of the Executive Board or Supervisory Board.

For further information on the compensation of members of the Executive Board and Supervisory Board, please refer to note 35 and the compensation report included in the combined management report of FUCHS PETROLUB SE.

→ [72 Compensation report for members of the Executive Bodies](#)

→ [133 Executive Bodies](#)

For more information on pension plans, please refer to note 24.

→ [116 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 unqualified audit opinion.

35 Executive Bodies

Supervisory Board

Dr. Jürgen Hambrecht

Chairman of the Supervisory Board at BASF SE

First appointment: 2011

Resignation of the mandate: 2019

Dr. Erhard Schipporeit

Independent Corporate Consultant

First appointment: 2008

Mandate ends: 2020

Dr. Susanne Fuchs

MBA

First appointment: 2017

Mandate ends: 2020

Horst Münkel

Chairman of the Group Works Council

Deputy Chairman of the Joint Works Council of

FUCHS SCHMIERSTOFFE GMBH

Member of the SE Works Council

First appointment: 2009

Resignation of the mandate: 2019

Ingeborg Neumann

Managing Partner, Peppermint Holding GmbH

First appointment: 2015

Mandate ends: 2020

Lars-Eric Reinert

Vice President Operations, FUCHS LUBRICANTS CO.

First appointment: 2008

Mandate ends: 2020

Chairman

Supervisory Board mandates:

- BASF SE (Chairman)
- Daimler AG
- TRUMPF GmbH + Co. KG (Chairman)

Deputy Chairman

Supervisory Board mandates:

- BDO AG Wirtschaftsprüfungsgesellschaft
- Deutsche Börse Aktiengesellschaft (until May 16, 2018)
- Hannover Rück SE
- HDI Haftpflichtverband der Deutschen Industrie V.a.G.
- Innogy SE (Chairman)
- RWE Aktiengesellschaft
- SAP SE
- Talanx Aktiengesellschaft

Member

Member (Employee representative)

Member

Supervisory Board mandates:

- Scienion AG
 - SGL Carbon SE (since May 29, 2018)
- Comparable supervisory committees:
- Berliner Wasserbetriebe AöR

Member (Employee representative)

Executive Board

Stefan Fuchs

First appointment: 1999
(Chairman since 2004)
Mandate ends: 2021
22 years at FUCHS

Dr. Lutz Lindemann

First appointment: 2009
Mandate ends: 2023
20 years at FUCHS

Dr. Timo Reister

First appointment: 2016
Mandate ends: 2023
9 years at FUCHS

Dr. Ralph Rheinboldt

First appointment: 2009
Mandate ends: 2023
20 years at FUCHS

Dagmar Steinert

First appointment: 2016
Mandate ends: 2023
6 years at FUCHS

Chairman of the Executive Board

Areas of responsibility:
North and South America (until September 2019),
Corporate Group Development, Human Resources,
Public Relations and Marketing

Supervisory Board mandate:

- TRUMPF GmbH + Co. KG

Member of the Executive Board; Chief Technical Officer

Areas of responsibility:
Research & Development, Technology, Product Management,
Supply Chain, Sustainability, inoviga GmbH, Mining Division,
OEM Division

Member of the Executive Board

Areas of responsibility:
Asia-Pacific, North and South America (from October 2019),
Industrial Sales Strategy

Member of the Executive Board

Areas of responsibility:
Europe, Middle East and Africa*, LUBRITECH Division

Group mandate:

- FUCHS SCHMIERSTOFFE GMBH (Chairman)

Member of the Executive Board; Chief Financial Officer

Areas of responsibility:
Finance, Controlling, Investor Relations, Compliance,
Internal Audit, IT (incl. SAP/ERP systems*), Legal, Taxes

Group mandate:

- FUCHS SCHMIERSTOFFE GMBH

Supervisory Board mandate:

- ZF Friedrichshafen AG

* As of January 1, 2019.

Compensation for members of the Executive Board

Compensation of the Executive Board

in € thousand	2018	2017
Compensation of the Executive Board	8,189	8,162
thereof fixed compensation	2,885	2,882
thereof variable compensation	5,304	5,280
Pension expenses for pension commitments to active members of the Executive Board	756	797
Pension obligations	11,525	11,370
Plan assets	6,703	5,924
Balance of pension obligations and plan assets	4,822	5,446

Former members of the Executive Board

Total compensation of former board members	543	541
Pension obligations	11,275	11,327
Plan assets	9,250	9,309
Balance of pension obligations and plan assets	2,025	2,018

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 contribution plans of €556 thousand (597) and expenses for defined contribution plans of €200 thousand (200).

Compensation for members of the Supervisory Board

Compensation for members of the Supervisory Board totaled €791 thousand (778).

For further information on the compensation of members of the Executive Board and Supervisory Board, please refer to the compensation report included in the combined management report of FUCHS PETROLUB SE.

36 Declaration on the German Corporate Governance Code as per Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board at FUCHS PETROLUB SE submitted the Declaration of Compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG). A copy can be found on page 71 and is available on the company's website at

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

37 Fees and services of the auditor in accordance with Section 315e in conjunction with Section 314 (1) No. 9 of the German Commercial Code (HGB)

Companies in the FUCHS Group used the following services of PwC (previous year: KPMG) worldwide:

Fees and service of the auditor

in € million	2018	2017
Audit fees	1.6	1.9
Audit-related fees	0.0	0.1
Tax fees	0.1	0.1
All other fees	0.0	0.0
Total	1.7	2.1

Of this, in Germany audit fees of €0.4 million (0.5) for the annual financial statements and €0.0 million (0.1) for other services and expenses from PwC GmbH Wirtschaftsprüfungsgesellschaft were recognized in profit or loss. The audit 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, including the audit focal points agreed with the Supervisory Board.

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

As at December 31, 2018

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2018 ²	Consolidation ³
I. AFFILIATED COMPANIES				
GERMANY				
BREMER & LEGUIL GMBH, Duisburg ⁴	100	0	36	F
FUCHS FINANZSERVICE GMBH, Mannheim ⁴	100	85	0	F
FUCHS LUBRITECH GMBH, Kaiserslautern ⁴	100	5	139	F
FUCHS SCHMIERSTOFFE GMBH, Mannheim ⁴	100	95	735	F
FUCHS WISURA GMBH, Bremen ⁴	100	1	19	F
PARAFLUID GMBH, Hamburg ⁴	100	1	15	F
inoviga GmbH, Mannheim ⁴	100	0	0	F
EUROPE (EXCLUDING GERMANY)				
FUCHS LUBRICANTS BENELUX N.V./S.A., Huizingen/Belgium	100	14	35	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	6	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre/France	99.7	17	114	F
FUCHS LUBRITECH S.A.S. Ensisheim/France	100	3	11	F
FUCHS HELLAS S.A., Athens/Greece	97.4	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	45	148	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	19	75	F
FUCHS MAZIVA D.O.O., Samobor/Croatia	100	2	6	F
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	10	25	F
FUCHS AUSTRIA SCHMIERSTOFFE GMBH, Thalgau/Austria	70	3	20	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gleiwitz/Poland	100	44	106	F
FUCHS LUBRIFICANTES UNIPESOAAL LDA., Moreira-Maia/Portugal	100	3	11	F
FUCHS LUBRICANTS SRL, Bucharest/Romania	100	0	5	F
OOO FUCHS OIL, Moscow/Russia	100	24	48	F
FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden (subgroup)	100	38	87	F
FUCHS LUBRICANTS REAL ESTATE AB, Stockholm/Sweden	100	0 ⁸	0 ⁸	F
FUCHS OIL CORPORATION (SK) SPOL. S R.O., Brezno/Slovak Republic	100	3	9	F
FUCHS MAZIVA LSL D.O.O., Krško/Slovenia	100	1	3	F
FUCHS LUBRICANTES S.A.U., Castellbisbal/Spain	100	22	60	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Stráncice/Czech Republic	100	4	15	F
TOV FUCHS MASTYLA UKRAINA, Lviv/Ukraine	100	4	14	F
FUCHS OIL HUNGÁRIA KFT, Budaörs/Hungary	100	2	8	F

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2018 ²	Consolidation ³
ASIA-PACIFIC, AFRICA				
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia (subgroup)	100	65	151	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	72	281	F
FUCHS LUBRICANTS REGIONAL HEADQUARTER (EAST ASIA) LTD., Shanghai/People's Republic of China	100	2	0	F
FUCHS LUBRICANTS (SUZHOU) LTD., Wujiang/People's Republic of China	100	8	0	F
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou-City/People's Republic of China	100	77	229	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai/India	100	12	28	F
PT FUCHS INDONESIA, Jakarta/Indonesia	100	4	5	F
PT FUCHS LUBRICANTS INDONESIA, Jakarta/Indonesia	100	0	7	F
FUCHS JAPAN LTD., Tokyo/Japan	100	5	11	F
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	8	24	F
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam/Malaysia	100	2	6	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	4 ⁷	15 ⁷	F
FUCHS LUBRICANTS PTE. LTD., Singapore/Singapore	100	3	14	F
FUCHS LUBRICANTS SOUTH AFRICA (PTY.) LTD., Johannesburg/South Africa	74.9	7	73	F
FUCHS SOUTHERN AFRICA (PTY.) LTD., Johannesburg/South Africa	100	32	20	F
FUCHS LUBRICANTS TAIWAN CORP., Taipei/Taiwan	100	1	4	F
FUCHS THAI HOLDING LTD., Bangkok/Thailand	100	0	0	F
FUCHS LUBRICANTS (THAILAND) CO., LTD., Bangkok/Thailand	100	1	8	F
FUCHS LUBRICANTS VIETNAM COMPANY LTD., Ho Chi Minh City/Vietnam	100	0	0	F
NORTH AND SOUTH AMERICA				
FUCHS ARGENTINA S.A., El Talar de Pacheco/Argentina	100	3	10	F
FUCHS LUBRIFICANTES DO BRASIL LTDA., City of Barueri, State of São Paulo/Brazil	100	10	42	F
FUCHS LUBRICANTS SpA, Quilicura, Santiago de Chile/Chile	65	0	0	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	8 ⁵	26 ⁵	F
LUBRIFICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro/Mexico	100	13 ⁵	42 ⁵	F
PROMOTORA FUCHS S.A. DE C.V., Querétaro/Mexico	100	0 ⁵	3 ⁵	F
FUCHS CORPORATION, Dover, Delaware/USA (subgroup)	100	229	357	F
FUCHS LUBRICANTS CO., Harvey, Illinois/USA	100	181 ⁵	284 ⁵	F
ULTRACHEM INC., New Castle, Delaware/USA	100	19 ⁵	16 ⁵	F
II. JOINT VENTURES				
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir/Turkey	50	40	67	E
III. ASSOCIATES				
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia	32	48	145	E
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	7	11	E
FUCHS OIL MIDDLE EAST LTD., Sharjah/United Arab Emirates	50	9	17	E

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2018 ²	Consolidation ³
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 in direct 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, 2018, while the accumulated average annual exchange rate of 2018 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., Great Britain.

⁷ Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Australia.

⁸ Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS SWEDEN AB, Sweden.

39 Events after the reporting period

The FUCHS Group signed an agreement to purchase NULON Products Australia Pty Ltd. at a purchase price of AUD 18.5 million (approximately €12 million). Closing is expected at the beginning of the second quarter. The acquisition is part of FUCHS AUSTRALASIA's expansion into the automotive retail business and will complement the existing business in the automotive, mining,

industrial and OEM sectors. The NULON brand, with a turnover of around AUD 40 million (€25 million) and 65 employees, will remain in place and the products will continue to be manufactured locally.

Furthermore, no significant events occurred after the reporting period.

Mannheim, March 12, 2019

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 12, 2019
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 balance sheet as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of FUCHS PETROLUB SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2018. 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] 315 e 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, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements and 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 to December 31, 2018. 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 €174.0 million (9.2% of total assets) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plans constitute the starting point which are 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 plans, 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 rates of growth applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on goodwill are contained in section "Accounting policies" and in note 13 "Intangible assets" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section “2.12 Corporate Governance – Declaration of Corporate Governance” of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the non-financial statement pursuant to § 289b Abs. 1 HGB and § 315b Abs. 1 HGB included in section “2.11 Combined non-financial declaration” of the group management report

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in 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 control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- 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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 8, 2018. We were engaged by the supervisory board on June 29, 2018. 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 12, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dr. Bernd Riese
Wirtschaftsprüfer
[German Public Auditor]

Dirk Fischer
Wirtschaftsprüfer
[German Public Auditor]

3.5 Proposal for the appropriation of profits

The Executive Board will recommend that the Supervisory Board proposes the following appropriation of profits to the 2019 Annual General Meeting:

Proposal for the appropriation of profits

in €

Distribution of a dividend of €0.94 for each ordinary share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	65,330,000
Distribution of a dividend of €0.95 for each preference share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	66,025,000
Unappropriated profit (HGB) of FUCHS PETROLUB SE	131,355,000

Glossary

Added value

Added value is the sequence of refining processes in the production process, starting with the raw materials and ending at the finished end product via various stages including production and transport.

Associated companies

Company, upon the corporate and financial policies of which significant influence can be exercised (shareholding at least 20%) and that is not a subsidiary.

Capital employed

Average capital employed consists of shareholders' equity, financial liabilities, pension provisions and historical goodwill amortization, after the deduction of cash and cash equivalents.

Cash flow

The difference between income and expenditure in a reporting period.

The gross cash flow is an indication of a company's internal financial resources available for financing net current assets, investments, debt repayment and dividend payments.

Compliance

Compliance with all legal requirements, guidelines and ethical standards relevant to the company.

Corporate governance

Internationally used term for responsible corporate management and supervision with a view to long-term value creation. Corporate governance comprises the entire system of managing and supervising a company and includes its organization, business policy principles and guidelines, as well as all internal and external controlling and monitoring mechanisms.

Declaration of Compliance

Declaration by the Supervisory Board and Executive Board pursuant in accordance with Section 161 of the German Stock Corporation Act (AktG) concerning the implementation of the recommendations of the German Corporate Governance Code.

Derivative financial instruments

Financial products whose own value is primarily derived from the price, price fluctuations and price expectations of the underlying hedged transaction. Derivatives are used by the FUCHS Group solely to limit exchange rate and interest rate risks from the operating business.

EBIT

Abbreviation for "earnings before interest and tax."

EBIT margin

Earnings before interest and tax (EBIT) in relation to sales revenues.

EBT

Abbreviation for "earnings before tax."

Effective tax rate

Corporate income tax expense relative to EBIT before income from companies consolidated at equity minus financial result.

Equity method

Method of consolidation for including joint ventures and associated companies in the consolidated financial statements. These companies are measured at their share in equity held by the Group. Changes in the equity capital of these companies have an effect on the valuation of the Group balance sheet item "Shares in companies consolidated at equity". Proportional net profits are shown under "Income from companies consolidated at equity" in the consolidated income statement.

Equity ratio

Proportion of capital resources to total assets.

Free cash flow

Free cash flow comprises the cash inflow from operating activities and cash outflow from investing activities. Free cash flow is the remaining cash flow available for payments to equity and debt capital providers.

IAS/IFRS

Abbreviation for International Accounting Standards (IAS). Accounting principles intended to guarantee international harmonization and comparability of financial statements and disclosure. International Financial Reporting Standards (IFRS) have replaced the IAS since 2001. FUCHS has compiled its consolidated financial statements in line with IAS/IFRS since 2002. IAS/IFRS are adopted by an international committee, the International Accounting Standards Board (IASB).

Income from companies consolidated at equity

Proportional net profit from joint ventures and associated companies that are included in the consolidated financial statements using the equity method.

Joint ventures

Enterprises managed jointly with other companies, where each company has an equal share.

MDAX

Stock index of German companies with a medium market capitalization. is the second value segment after the DAX (30 companies with a high market capitalization). The FUCHS preference shares have been approved for the Prime Standard section of the German Stock Exchange since January 1, 2003, and have been included in the MDAX segment, consisting of 60 shares, since June 2008.

Net liquidity

Net liquidity is the net amount of cash and cash equivalents minus non-current and current financial liabilities.

Net operating working capital (NOWC)

Net operating working capital (NOWC) is made up of inventories and trade receivables minus trade payables. It defines the capital needed directly for the generation of sales revenues.

Participation interest

Company upon which no significant influence is exercised (shareholding less than 20%).

Return on equity

Earnings after tax in relation to shareholders' equity.

Return on sales

Earnings after tax in relation to sales revenues.

Subsidiary

Company that is controlled by another company.

Volatility

Volatility is the measure of how much the price of securities or exchange rates has moved around the mean price over a certain period of time.

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Financial calendar

Dates 2019

March 20	Annual report 2018
May 3	Quarterly Statement as at March 31, 2019
May 7	Annual General Meeting in Mannheim
May 8	Swiss information event Zurich, Switzerland
August 1	Half-year financial report as at June 30, 2019
October 30	Quarterly statement as at September 30, 2019

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

Annual General Meeting 2019

The Annual General Meeting takes place on Tuesday, May 7, 2019, at 10:00 am in the Mozart Room of the Rosengarten Congress Center, Rosengartenplatz 2, Mannheim. Shareholders will also receive an invitation and the agenda via their depository banks.

Disclaimer

This annual report contains statements about future developments that are based on assumptions and estimates by the management of FUCHS PETROLUB SE. Statements about future developments are all statements that do not refer to historical facts and events and contain such forward-looking formulations as "believes," "estimates," "assumes," "expects," "anticipates," "forecasts," "intends," "could," "will," "should," or similar formulations. Even if the management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results may differ significantly from these assumptions and estimates due to a variety of factors. These factors can, for example, include changes in the overall economic climate, changes in the political environment, changes in procurement prices, changes to exchange rates and interest rates, and changes within the lubricants industry. FUCHS PETROLUB SE provides no guarantee that future developments and the results actually achieved in the future will match the assumptions and estimates set out in this annual report and assumes no liability for such. We do not assume any obligation to update the future-oriented statements made in this annual report.

Note on rounding

Due to rounding, numbers presented in this annual report may not add up exactly to totals provided, and percentages stated may not precisely reflect the absolute figures to which they refer.

Note regarding the annual report

In case of deviations between this English translation and the original German version of this annual report, the original German version takes precedence.

Ten-year overview

FUCHS Group

Amounts in € million	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Results of operations										
Sales revenues (by company location)	2,567	2,473	2,267	2,079	1,866	1,832	1,819	1,652	1,459	1,178
Germany	637	633	631	569	517	533	517	491	418	346
International	1,930	1,840	1,636	1,510	1,349	1,299	1,302	1,161	1,041	832
Cost of sales	1,668	1,591	1,416	1,288	1,173	1,142	1,153	1,047	892	721
Gross Profit	899	882	851	791	693	690	666	605	567	457
in % of sales revenues	35.0	35.7	37.5	38.1	37.2	37.7	36.6	36.6	38.9	38.8
Earnings before interest and tax (EBIT)	383	373	371	342	313	312	293	264	250	180
in % of sales revenues	14.9	15.1	16.4	16.5	16.8	17.0	16.1	16.0	17.1	15.3
Earnings after tax	288	269	260	236	220	219	207	183	172	121
in % of sales revenues	11.2	10.9	11.5	11.4	11.8	11.9	11.4	11.1	11.8	10.3
Assets / equity and liabilities										
Balance sheet total	1,891	1,751	1,676	1,490	1,276	1,162	1,109	985	894	746
Shareholders' equity	1,456	1,307	1,205	1,070	916	854	782	658	546	393
Equity ratio	77.0	74.6	71.9	71.8	71.7	73.5	70.5	66.8	61.0	52.7
Cash and cash equivalents	195	161	159	119	202	175	144	79	92	90
Financial liabilities	4	1	13	18	16	8	9	14	20	58
Net liquidity	191	160	146	101	186	167	135	65	72	32
Pension provisions	25	26	35	33	36	16	26	16	74	84
FUCHS Value Added (FVA)										
FUCHS Value Added (FVA)	251	250	257	246	230	222	208	186	183	117
Cash Flow / investments / research and development										
Cash inflow from operating activities ¹	267	242	300	281	255	221	203	89	133	206
Cash outflow from investing activities ¹	-108	-102	-136	-219	-67	-71	-63	-30	-55	-25
thereof acquisitions ²	12	-2	-41	-170	-22	0	-1	0	-31	-5
Free cash flow	159	140	164	62	188	150	140	59	78	181
Free cash flow before acquisitions ²	147	142	205	232	210	150	141	59	109	186
Investments in property, plant and equipment and intangible assets	121	105	93	50	52	70	61	36	32	30
Depreciation of property, plant and equipment and intangible assets (scheduled)	58	53	47	39	30	28	27	26	23	20
Research & development expenses	52	47	44	39	33	31	29	28	25	22

FUCHS Group

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employees³										
Number of employees (average)	5,339	5,147	4,990	4,368	4,052	3,846	3,754	3,646	3,534	3,587
Germany	1,572	1,521	1,488	1,314	1,213	1,180	1,143	1,086	1,010	1,003
in %	29.4	29.6	29.8	30.1	29.9	30.7	30.4	29.8	28.6	28.0
International	3,767	3,626	3,502	3,054	2,839	2,666	2,611	2,560	2,524	2,584

FUCHS Shares

Amounts in €

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Earnings per share ⁴	Ordinary	2.06	1.93	1.86	1.69	1.57	1.53	1.45	1.28	1.20	0.85
	Preference	2.07	1.94	1.87	1.70	1.58	1.54	1.46	1.29	1.21	0.86
Dividend per share ^{4,5}	Ordinary	0.94	0.90	0.88	0.81	0.76	0.69	0.64	0.49	0.44	0.28
	Preference	0.95	0.91	0.89	0.82	0.77	0.70	0.65	0.50	0.45	0.29
Dividend distribution (in € million) ⁵		131	126	123	113	106	97	92	70	63	40
Share buyback (in € million)		0	0	0	0	76	22	0	0	0	6
Stock exchange prices on December 31 ⁴	Ordinary	35.00	40.37	36.95	37.69	31.74	30.90	26.50	15.06	16.45	10.11
	Preference	35.98	44.25	39.88	43.50	33.30	35.52	28.10	16.91	18.48	10.80

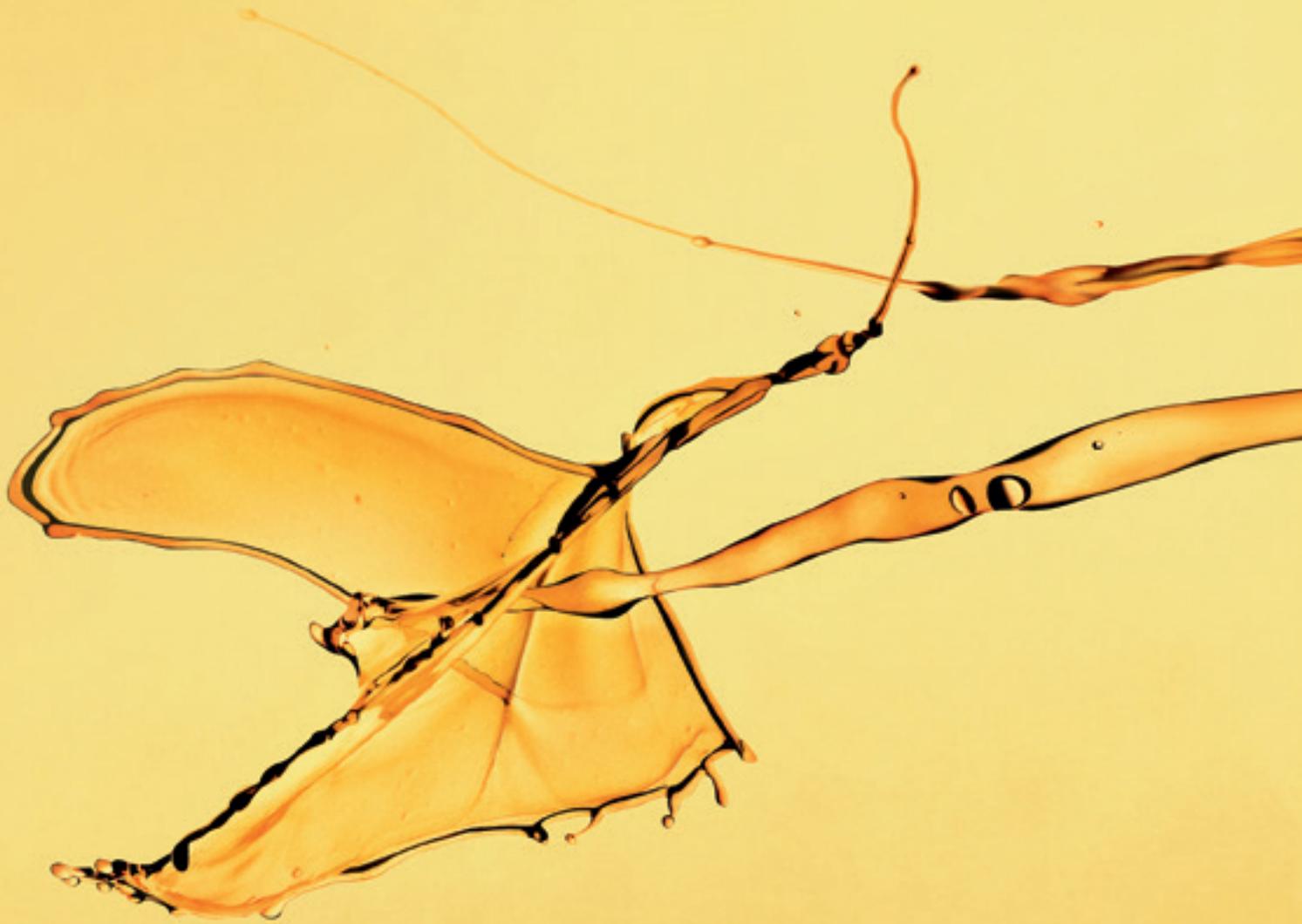
¹ From 2013 on, dividends received from companies consolidated at equity are shown under cash flow from operating activities (previous investing activities).

² Including divestments.

³ From 2016 on including trainees.

⁴ Prior-year figures adjusted for capital measures (bonus shares, share splits, increases in capital stock) to provide better comparability.

⁵ Dividend proposal for 2018.



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