Press Release

FUCHS PETROLUB SE posts significant decline in sales revenues and earnings in first half of 2020 due to COVID-19 pandemic – Continued very sound balance sheet structure and sufficient liquidity

"The COVID-19 pandemic has also heavily impacted the FUCHS Group's business. All global regions have seen significant declines in sales revenues and earnings in the past months. In the first half of the year, sales revenues decreased by 14% year-on-year, while earnings were down by 29%. Despite these material differences, we were able to generate a profit each month, an overall EBIT margin of 10%, and a positive free cash flow before acquisitions in these difficult times.

FUCHS once again benefited from its global presence: When the crisis began in China in February and continued there in March, the EMEA and North and South America regions were not yet affected or were only slightly affected at the end of the first quarter. By contrast, when the wave fully hit the western world in April and May, a clear upward trend was already emerging in Asia, which then continued with a strong June.

Our widely diversified product portfolio was also helpful: In many countries, FUCHS was classified as a system-critical company, resulting in only temporary plant closures in a few smaller plants. Significant declines were observed among customers in the automotive industry, however, the areas of specialty applications and aftermarket business benefited from the changed conditions.

Finally, the high share of material costs and the relatively low share of fixed costs provided some breathing room regarding sales revenues. By using short-time work or similar work models, introducing a hiring and travel freeze, and systematically implementing further cost-saving measures, the effects of the crisis on our earnings were further mitigated. All this was achieved without having to consider structural adjustments among our loyal permanent staff.

We also still have a sound balance sheet structure and a secure financial position. Our equity ratio remains at a very high level of 75%.

In this context, we have intensified our activities around our FUCHS2025 initiative and achieved important milestones. Our investment program continues: We thus invested around EUR 58 million in the first six months of this year alone.

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The effects of the crisis on supply chains, production and customer demand cannot be reliably estimated currently. A second pandemic wave and an associated further decline in demand due to a recession could have a negative impact on the economic development of FUCHS.

Based on today's assessment of the effects of the COVID-19 pandemic we have determined a new forecast for the financial year 2020 and expect a drop in earnings in the range of 25%."

Stefan Fuchs, Chairman of the Executive Board of FUCHS PETROLUB SE

- Development of sales revenues and earnings heavily impacted by COVID-19 pandemic
- Sales revenues down by 14% at EUR 1,120 million
- Earnings (EBIT) decline disproportionately by 29% to EUR 112 million
- New outlook for the current financial year: earnings decline in the range of 25%

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FUCHS at a glance

EUR million	H1 2020	H1 2019	Change %
Sales revenues [1]	**1,120**	**1,296**	**-14**
Europe, Middle East, Africa (EMEA)	690	799	-14
Asia-Pacific	320	355	-10
North and South America	181	212	-15
Consolidation	-71	-70	-
Earnings before interest and tax (EBIT)	**112**	**157**	**-29**
Earnings after tax	**79**	**112**	**-29**
Capital expenditure	**58**	**76**	**-24**
Free cash flow before acquisitions	**15**	**16**	**-6**
Earnings per share in EUR			
Ordinary share	0.56	0.80	-30
Preference share	0.57	0.81	-30
Employees as at June 30	**5,792**	**5,573**	**4**

(1) By company location.

Sales revenues and earnings

In a persistently difficult economic environment, FUCHS generated sales revenues of EUR 1,120 million (1,296) in the first half of 2020, representing a decrease of 14%. The positive contribution from acquisitions (+1%) was offset by negative currency effects (-1%).

As expected, the COVID-19 pandemic spread to both the EMEA region and North and South America in the second quarter. By contrast, a clear upward trend was already emerging in the Asia-Pacific region, where the effects of the COVID-19 pandemic lessened over the course of the first half of the year.

Earnings in the first six months were impacted by the negative effects of COVID-19 in all global regions. In spite of this, a double-digit EBIT margin and a positive free cash flow before acquisitions were achieved.

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EBIT was down by 29% year-on-year at EUR 112 million (157). Earnings after tax declined by 29% to EUR 79 million (112). Earnings per ordinary share were EUR 0.56 (0.80), and earnings per preference share were EUR 0.57 (0.81). At EUR 15 million (16), free cash flow before acquisitions was marginally lower than in the previous year.

Sales revenues and earnings by region
At EUR 690 million (799), sales revenues in the EMEA region were down significantly by 14% year-on-year. All major companies in the region were affected by decreasing sales revenues. As a result of the lockdowns, Germany, Spain, France, Italy, and the UK are most affected. The EMEA region's EBIT of EUR 56 million (80) was roughly one-third lower than in the previous year.

The Asia-Pacific region recorded a decline in sales revenues of 10% to EUR 320 million (355). The effects of the COVID-19 pandemic in this region lessened over the course of the half-year period, with June reaching the pre-crisis level thanks to China. Positive external growth (+2%) from the acquisition of a manufacturer of lubricants for the automotive retail sector in Australia was offset by negative currency effects (-2%), particularly from the Australian dollar. The Asia-Pacific region's EBIT saw a comparatively small decrease of 7% to EUR 41 million (44).

The North and South America region posted a decline in sales revenues of 15% to EUR 181 million (212). After a weak first quarter, the effects of the COVID-19 pandemic are intensifying the organic decreases in sales revenues. Due to acquisitions, the region's external growth came to 10% or EUR 21 million. The region's EBIT was particularly heavily impacted and halved to EUR 14 million (29).

Outlook
In April 2020, FUCHS PETROLUB SE suspended the outlook for the current year as a result of the considerable impact of the COVID-19 pandemic.

Based on today's assessment of the effects of the COVID-19 pandemic, FUCHS has determined a new forecast for the financial year 2020 and expects a drop in earnings in the range of 25%.

The effects of the crisis on supply chains, production and customer demand cannot be reliably estimated currently. A second pandemic wave and an associated further decline in demand due to a recession could have a negative impact on the economic development of FUCHS and is not taken into account in the current forecast for the full year.

FUCHS is well positioned to face the crisis and has a solid financial basis. The stability and structure of the balance sheet form a sound foundation for further development. Both the low proportion of fixed costs and the high proportion of raw materials have a positive effect. This allows us to breathe flexibly with sales. In addition, FUCHS once again benefits from its worldwide presence and broad product portfolio.

The strategy in the context of "FUCHS2025"
With the FUCHS2025 initiative, which deals with the topics of culture, strategy and structure, the Group has set out on a path into the future and developed a strategy based on six strategic pillars:

- Global strength
- Customer and market focus
- Technology leader
- Operational excellence
- People and organization
- Sustainability

"By 2025 we want to achieve sustainable revenue growth at a 15% EBIT margin and corresponding FUCHS Value Added growth. We will focus on a market segment approach to increase market penetration and further expand our range of comprehensive lubrication solutions. We want to position ourselves as a technology leader. Our goal is to hold a leading position in all relevant core segments. To achieve this, we use the broad range of our portfolio to serve our customers as a full-line supplier. In the Asia-Pacific and Americas regions, we aim to achieve overproportionate growth and thus create a balance between our three world regions. We want to be the employer of choice for existing and future employees. We have also achieved CO_2 neutrality "gate-to-gate" in 2020 and are preparing to offer climate-neutral products "cradle-to-gate" by 2025. Overall, we see considerable growth potential for the future based on this approach," says Stefan Fuchs, CEO FUCHS PETROLUB SE.

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About FUCHS
The FUCHS Group develops, produces and markets high-grade lubricants and related specialties for virtually all industries and areas of application. Formed in Mannheim in 1931, the Group employs almost 6,000 people worldwide at 62 operating companies. FUCHS is the world's largest independent lubricant manufacturer. Its most important markets in terms of sales revenues are Western Europe, Asia and North America.

Important note
This press release contains statements about future developments that are based on assumptions and estimates by the management of FUCHS PETROLUB SE. 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 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 press release and assumes no liability for such.