



ANNUAL REPORT 2017

New Thinking



FUCHS at a glance

FUCHS Group

Amounts in € million

	2017	2016	Change in %
Sales revenues¹	2,473	2,267	9.1
Europe	1,515	1,417	6.9
Asia-Pacific, Africa	733	620	18.2
North and South America	393	349	12.6
Consolidation	–168	–119	41.2
Earnings before interest and tax and before income from companies consolidated at equity	356	352	1.1
in % of sales revenues	14.4	15.5	
Earnings before interest and tax (EBIT)	373	371	0.5
Earnings after tax	269	260	3.5
in % of sales revenues	10.9	11.5	
Investments in long-term assets	105	93	12.9
in % of scheduled depreciation ²	198	198	
Free cash flow before acquisitions	142	205	–30.7
Shareholders' equity	1,307	1,205	8.5
in % of balance sheet total	74.6	71.9	
Balance sheet total	1,751	1,676	4.5
Employees as at December 31³	5,190	5,031	3.2
Earnings per share (in €)			
Ordinary share	1.93	1.86	3.8
Preference share	1.94	1.87	3.7
Proposed dividend / dividend (in €)			
per ordinary share	0.90	0.88	2.3
per preference share	0.91	0.89	2.2

¹ By company location.

² Capital expenditure excluding financial assets.

³ Including trainees.

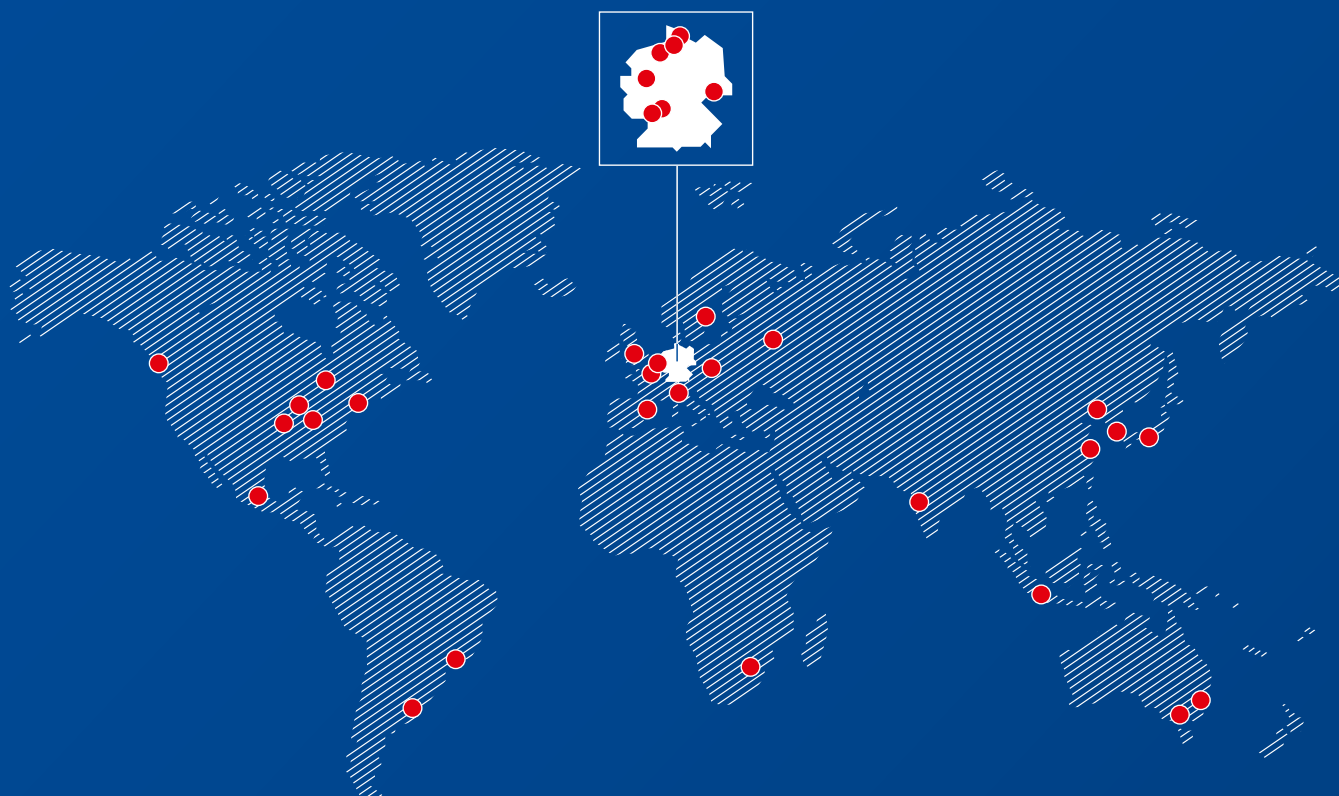
Group structure

FUCHS PETROLUB SE, Mannheim, is the parent company of the FUCHS Group. Organized into three segments, 58 operating companies contribute to the ongoing development of our business at a local level, while also helping to identify and leverage market potential. Most of the companies are 100% controlled.

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 five associated companies and joint ventures accounted for using the equity method. Of the 58 operating companies, five conduct their business activities in Germany and 53 abroad.

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

Group companies and production locations



Group companies and production locations

As at December 31, 2017	Group companies ¹	Production locations
Germany	5	7
Other European countries	27	8
Asia-Pacific	18	8
Africa	2	1
North America	4	7
South America	2	2
Total	58	33

¹ Operating companies.

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 58 operating companies with more than 5,000 employees in over 45 countries operate under the FUCHS PETROLUB SE umbrella. FUCHS is the world's largest independent lubricant manufacturer. The most important markets in terms of sales revenues are Western Europe, Asia and North America.

Our more than 100,000 customers around the world 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.



Automotive



Industry



Engineering



Construction



Mining



Transport



Heavy
duty



Steel +
cement



Aerospace



Agriculture



Wind
energy



Food

MAGAZINE



FUCHS AT
A GLANCE



LOCATIONS



A photograph of a man and a woman sitting at a white table, smiling and engaged in conversation. The man, on the left, is wearing a light blue shirt and a dark tie. The woman, on the right, is wearing a pink blouse. They are both looking towards the right side of the frame. A third person, partially visible on the far right, has blonde hair. The background is a bright, out-of-focus office space.

THE FUCHS GROUP MAGAZINE

New Thinking



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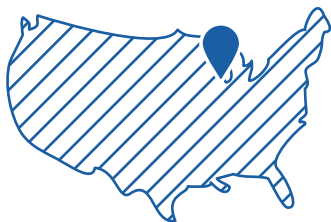
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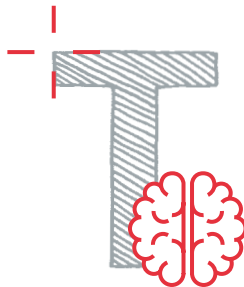
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» **FUCHS PETROLUB is an agile, globally networked company that has lived through ever-changing times since it was founded almost 90 years ago.**

We create value for our customers, partners and employees with our globally defined brand and our promise of 'technology that pays back.' Our ongoing growth, new technologies, the increasing complexity of the global markets and the **EVER MORE STRINGENT REQUIREMENTS OF CUSTOMERS 6** make our business more dynamic. We meet this challenge with passion and see it as an opportunity.



We have already made some fundamental changes. And in the future, we will continue to define standards as well as standardized processes and work on new developments in the fields of **DIGITALIZATION 20** and **E-MOBILITY 16** – all this while increasing the agility of our company. With our thirst for **INNOVATION 12** and the dynamism and specialist expertise of our internationally networked **TEAMS 30**, FUCHS will continue to enjoy profitable growth so that we can maintain our leading international position well into the future. «

STEFAN FUCHS | CHAIRMAN OF THE EXECUTIVE BOARD

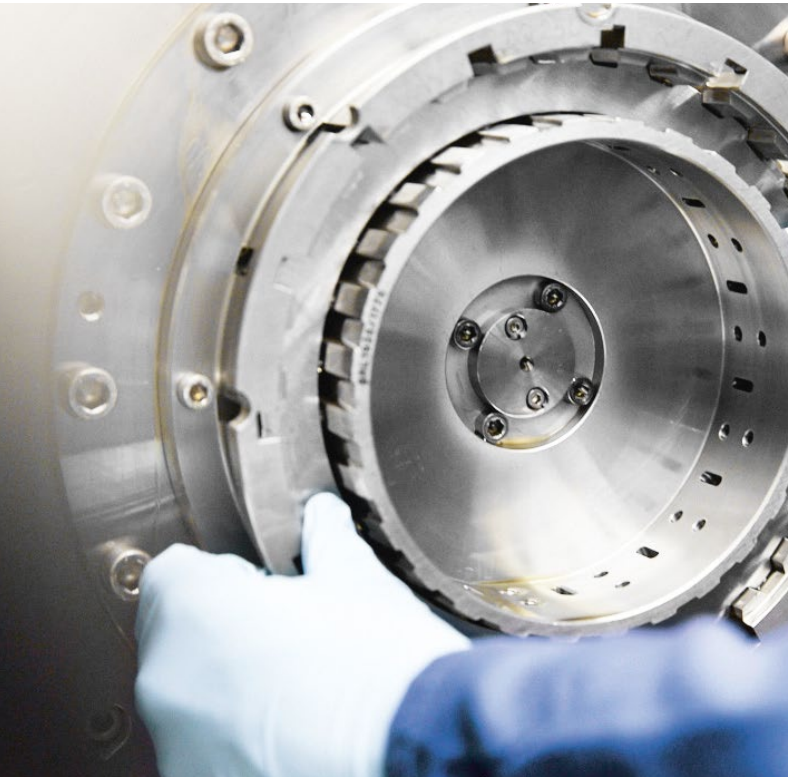
BUSINESS MODEL

LUBRICANTS.TECHNOLOGY.PEOPLE. Our company rests on these three pillars for over 85 years. As a mission statement, they are the basis for our daily activity around the world and simultaneously the core of the FUCHS brand.



LUBRICANTS. 100 % focus

Worldwide, FUCHS focuses 100% on the development, manufacturing, distribution and sale of high-quality lubricants and related specialties for nearly all applications and industries. With over 10,000 products, we offer our customers a full portfolio of lubricants that complies with exacting national and international standards.



TECHNOLOGY. Holistic solutions

Technologically advanced, process-oriented, and holistic lubricant solutions are a key success factor for FUCHS. Our worldwide network of experts meets customer requirements on a global scale by quickly and efficiently networking fields of special expertise. We strive to be the technology and innovation leader in important business areas. Our approach focuses on effectiveness and efficiency, safety and reliability and the sustainability of lubricants along the process and value chain with regard to supplier, raw materials, production, and the end product.

PEOPLE. Personal commitment

More than 5,000 highly qualified and specialized employees worldwide are committed to FUCHS. Our global team regards itself as a well-coordinated unit, whose personal commitment continues to write new chapters in our company's success story. Intensive dialog with our customers and partners and trusting and fair collaboration enable us to always find the optimum, tailor-made lubricant solution to meet the individual requirements of our customers.



GLOBAL PROXIMITY

With its new facility for specialty greases in Harvey, Chicago, FUCHS has built a state-of-the-art grease factory in North America. The new plant is an important element of the company's global 3-continent (3C) strategy and part of the growth initiative, for which the Group is planning a total investment of around € 300 million by 2018.

By Silke Wernet

It is presumably the largest internal, transnational joint venture in FUCHS' history and a prime example of international cooperation: the specialty grease factory in Harvey, USA, which was built over 3,200 square meters for around € 24 million and has been supplying North American customers since 2017. A large team of col-

leagues from Germany and the USA were involved in an intense professional cooperation lasting several months to bring this project to fruition. The plant, which is located in the south of Chicago and equipped with state-of-the-art technology, is part of the Group's investment initiative: FUCHS is planning to deliberately channel around € 300 million by 2018 into developing existing and building new facilities in the world's high-growth regions. More to the point, the plant is an important element of the lubricant manufacturer's global 3C strategy.



CHICAGO – New Plant for Specialty Greases:

400
employees

This is the total number of staff that FUCHS employs at the US location of Harvey in the south of Chicago.

~ **€24 million**

This is the amount that has been invested in the grease plant, which is equipped with state-of-the-art technology.

3,200m²

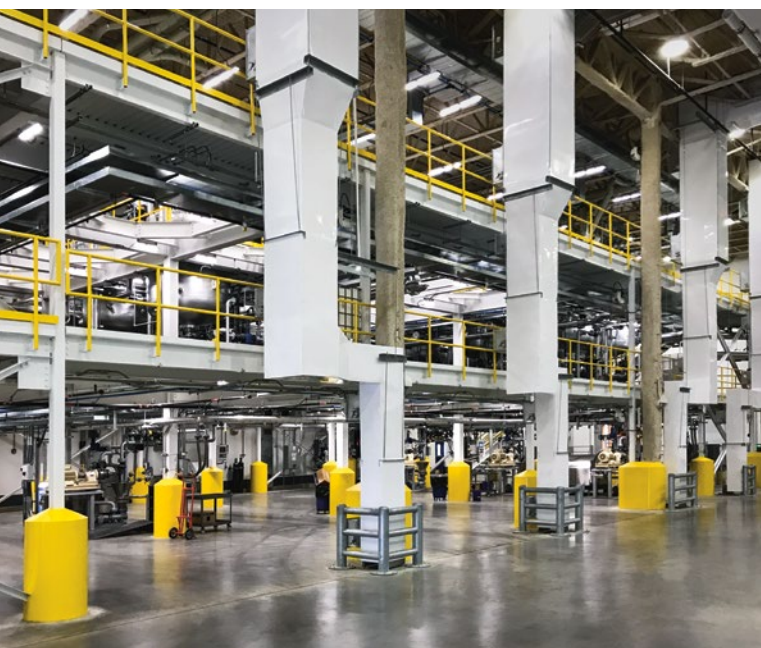
This is the floor space of the plant. It will cater to the automotive, heavy duty, construction, railway and off-road markets in North America.

30

specialty greases

This is the basis the plant started with when it commenced operations in 2017.





In 2017, the production of high-quality specialty greases for North American customers began in the new facilities in Chicago.

As part of this commitment, FUCHS is standardizing the production process for OEM specialty greases in Europe, America and Asia with the same production facilities, similar raw materials, an identical quality control process and laboratory equipment. This principle means that in the future, for example, automotive manufacturers with production facilities spread all over the world will have the assurance that the greases they use on all three continents are of a consistently high quality and composition. "For these customers in particular, what we have to offer is especially attractive. A definite unique selling point of our company," emphasizes the Director OEM FUCHS LUBRICANTS CO., who is in charge of the OEM business in the North America region. "Equally exceptional is the large internal network we have been building since the new plant was in the development phase," continues the OEM Director. "On a production level, this is an unbelievably big step for FUCHS, that has made a massive contribution to the success of the overall project."

Intense cooperation between colleagues

The training of employees for the factory in Harvey was also a success. Half the workforce is made up of experienced skilled workers, who had already worked at FUCHS production facilities in the USA previously. Most of them were then trained in Germany. "The core team completed a training program at the headquarters in Mannheim to improve its understanding of our company and corporate culture," explains the Director of Operations at the Harvey plant. "The employees also spent three weeks at our grease factory in Kiel where they learned about work organization and processes." In turn, specialists from Kiel and Mannheim flew across the pond to play a hands-on role in the start-up phase of the plant in the USA. Even now, almost one year later,

Cutting-edge technology for the Chinese growth market: The new FUCHS LUBRICANTS plant in Wujiang, a Suzhou district in the province of Jiangsu, China, is expected to go into operation in 2019. Around 100 employees will be working here in production, storage, maintenance, IT, administration and other areas. The latest technologies and special measures to protect the environment and optimize processes at this factory, not far from Shanghai, will make it one of the most modern lubrication production facilities in China. We spoke with QingPing Zhu, Managing Director at FUCHS LUBRICANTS (CHINA) LTD.

Mr. Zhu, the budget for the new plant in Wujiang is roughly € 36 million. What is the capacity of the new plant?

This factory will have eight highly automated filling lines, 31 blenders and 55 tanks with a capacity of between 60 and 500 m³ on 80,000 m² floor space. In Phase I, its nominal production capacity will be around 100,000 tons per year – almost twice as much as our plant in Shanghai. The automatic high bay warehouse will have a capacity of around 11,000 pallets.

This factory will be one of the most modern lubricant production facilities in China. What exactly will it produce in the future?

We will produce a wide range of products, including automotive lubricants for OEM customers and retailers. In the industrial sector, our portfolio includes metal working fluids, corrosion preventatives, quenching oils and products for lubricant management services. To increase production efficiency, the new plant will be designed based on an “intelligent plant” concept. This means greater and more flexible production due to more automation, more effective material flows and optimized management processes in order to meet customer requirements even better than before. We will also work with an automated storage and retrieval system (ASRS). We will be one of the first lubricant manufacturers to use this extremely efficient storage technology in China.

Some of FUCHS’ most important Chinese customers are based in the Jiangsu region. And business is still growing in your country ...

Absolutely. China is the largest automobile manufacturing country in the world and has the second-largest number of vehicles on the road. China is also a leader in the growing electric vehicle industry and in other industrial markets, such as wind energy, steel, cement and coal mining. At FUCHS, we have been increasingly expanding our business from year to year as part of this rapid development. Over time, customer requirements have become more demanding – for example, with regard to supply chain and production management. Our new sophisticated plant in Wujiang is another important step towards increasing our competitiveness in China. This will allow us to continue improving the quality of our products, our services and ultimately our position as a leading lubricant manufacturer in a dynamic market while being in close contact with our local customers.

This interview was held by Silke Wernet



» Lubricants are definitively one of the most important industrial products in the Chinese growth market. In this environment, we are a flexible and reliable partner for our customers. «

**QINGPING ZHU | MANAGING DIRECTOR
AT FUCHS LUBRICANTS (CHINA) LTD.**

Close to the customer all over the world

Our company can be found wherever our more than 100,000 customers need us – in over 45 countries around the globe. We have local bases with our 58 operating companies and 33 plants. And, as part of its growth initiative, FUCHS is continuing to invest in building new locations and expanding existing locations worldwide. At the same time, our employees work closely with their international colleagues. This connected, extraordinary know-how and our employees form the basis of our success.

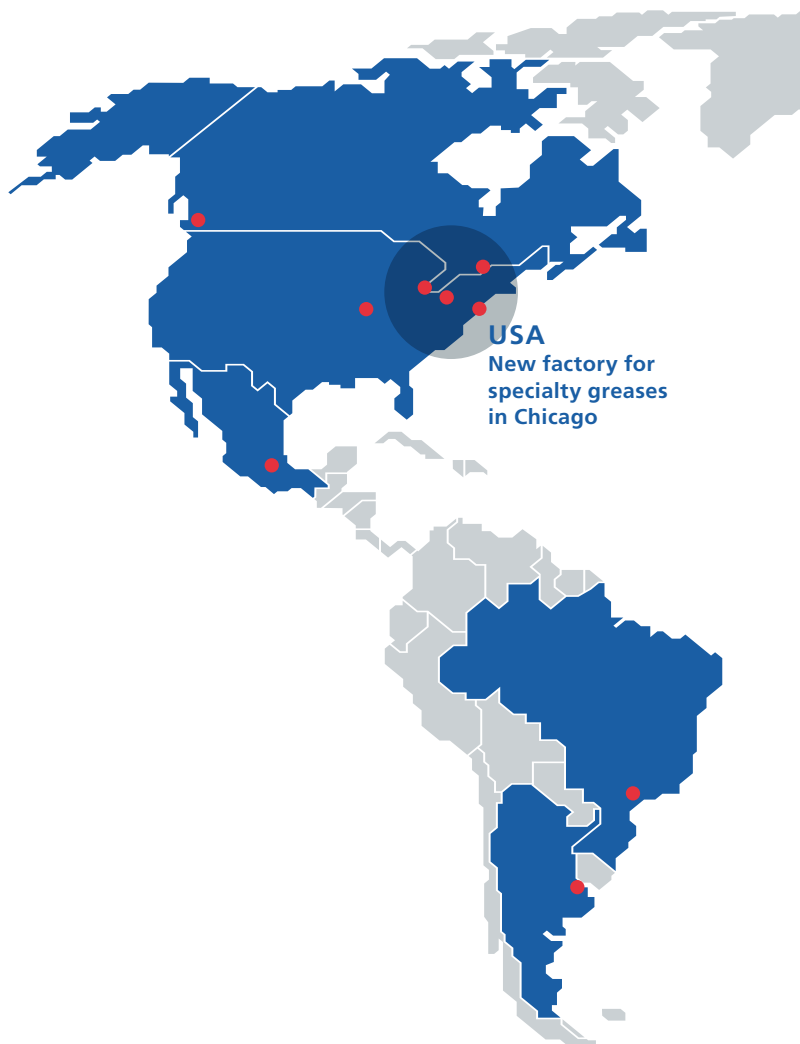
colleagues from the two countries continue to have a close working relationship. There are still close channels of communication when it comes to technical issues. “It is a truly excellent example of transnational cooperation that also extends beyond individual departments. I’ve never experienced something quite like it before,” says the Director of Operations with admiration. Born in Kiel, he has been working at the specialty grease factory in his hometown for a number of years, most recently as head of the “technical departments.”

Highly automated equipment

The facility at his new workplace in Harvey commenced the test phase in spring 2017 with around 30 specialty greases for the automotive, heavy duty, construction, railway and off-road markets in North America. Full production is underway since 2018. An IT system controls the addition of raw materials to the high-quality specialty greases that are produced at the new facility. Most of the systems are automated and the facility is fitted with high-tech equipment. This makes overdosing or underdosing practically impossible. Nevertheless, should an error occur in the production process, it is identified and reported immediately. The highly automated systems also document each individual phase of the production process – generating a level of transparency that is of paramount importance to customers.

Tailor-made solutions

But the new plant offers many more advantages: Whereas up to now FUCHS has mainly produced these high-quality greases for OEM customers in Kiel, the company is now able to produce them faster in the USA and potentially in Yingkou, China, and supply them more flexibly to North America and the Asia-Pacific, Africa region. In addition to product quality, these other important aspects are required to meet ever-growing industry demands even more effectively.



As well as the production facility, a new warehouse is also optimizing logistics in Harvey. A laboratory with highly specialized testing equipment has been built for research and development (R&D). Some of the greases produced are customized developments. “Before we manufacture tailor-made products like these, we get a team of key account managers, product managers and R&D specialists together and visit the customer’s local premises. We work together on-site to formulate the best individual solution,” says the OEM Director, describing the close cooperation with the customer and the unique opportunities that this produces in terms of lubricant development.

GERMANY

Expansion of laboratory and storage capacities

We are expanding laboratory, storage and office capacities at our two locations. The new test facility in Mannheim has increased research capacity considerably.

SWEDEN

Construction of a new plant

The planned factory will replace the rented plant in a few years' time.

CHINA

Highly automated plant in Wujiang

SOUTH AFRICA

Cutting-edge grease plant

The grease plant, with its state-of-the-art technology and diverse range of specialty greases, will allow the rising demands of South African customers to be met.

AUSTRALIA

Efficient supply

The Beresfield (Newcastle) plant focuses on the requirements of the Australian market and ensures that our local customers are supplied efficiently.

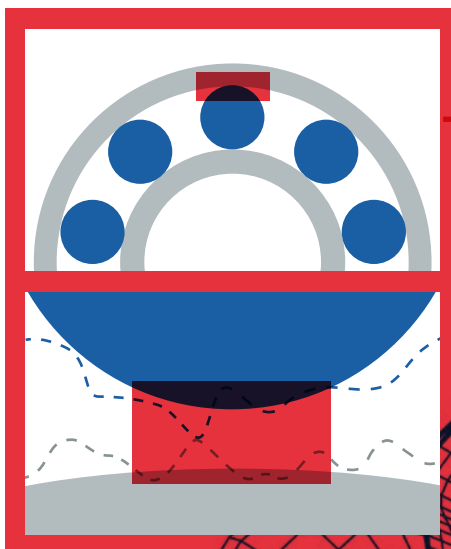
Potential in the US market

The grease factory in the south of Chicago is FUCHS' second facility for lubricating greases in the USA in addition to the one in Kansas City. High-volume greases for a range of applications, including the steel industry and food lubricants, are produced in Missouri. Both colleagues in Harvey still see enormous potential for their company on the US market: "In the USA, FUCHS has so far been identified almost exclusively as an oil supplier. Now with our diverse and superior-quality range of specialty greases we have the opportunity to change this perception, which will allow us to reach completely new target groups." Even the increased signifi-

cance of electric mobility, with the increased use of premium greases in electric cars, is expected to open up new growth prospects for FUCHS in North America. "With our highly advanced technology, we will soon be able to offer our customers a great deal in this area as well," the two men agree. "We are very well prepared." ■

The complex world of friction

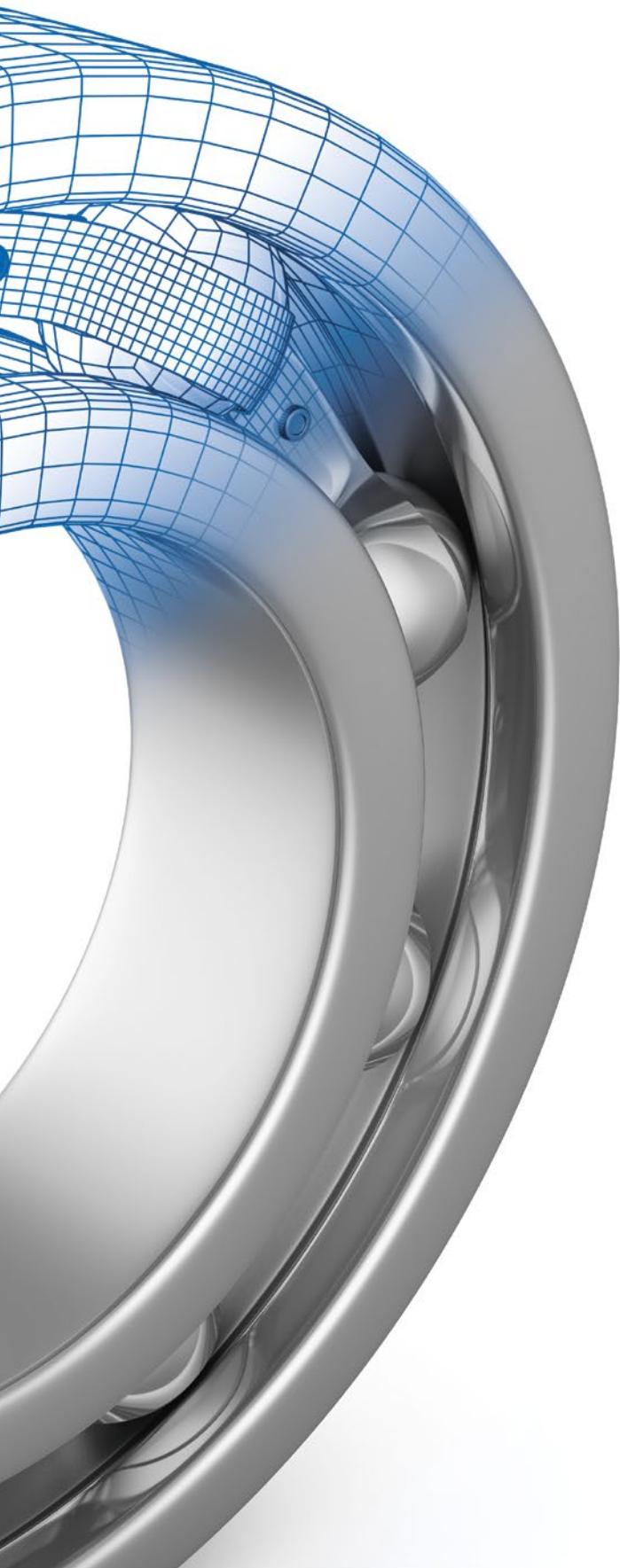
Where the naked eye sees smooth surfaces touching, high magnification shows multiple complicated relationships, awareness of which is needed in order to understand the friction process and lubricant performance.



THE DIGITALIZED LUBRICANT

Experience and qualitative understanding are good but it is even better to complement it with valid quantitative forecasts. Therefore, FUCHS is concentrating on simulation and sensor: methods that have the potential to significantly simplify the development process and status monitoring of lubricants.

By Ulrich Pontes



Imagine a vast, mountainous landscape, over which a second, upside-down mountainous landscape is scraping. Here, only the tallest heights come into contact with each other, while large distances dominate elsewhere. Here, peaks remain stuck together, become wedged together and deform, break apart where possible before it continues abruptly. Here, the upper landscape slides a bit higher in order to speed crashing into the depths if mountains and valleys fit together somewhat better.

And so it continues dramatically, when two seemingly smooth objects rub together. Even reflective metal surfaces are strewn with microscopically small rough spots and become a kind of mountainous landscape with sufficiently sharp magnification. Therefore, in roller and plain bearings, gears and other tribological systems, the selective and short-term conditions can be much more extreme than the macroscopic view – with a massive impact on the lubrication.

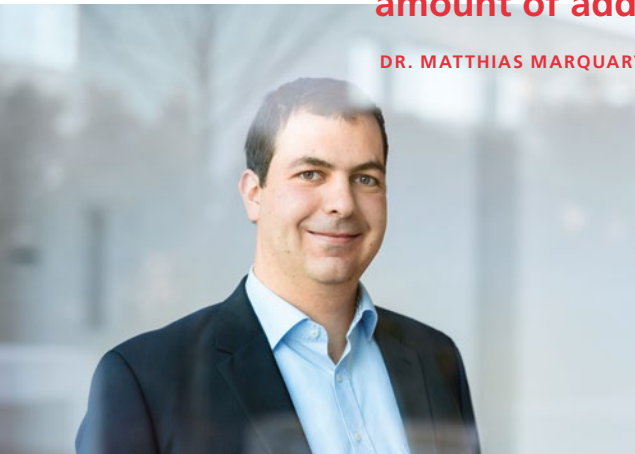
“In a manner of speaking, the lubricant ‘sees’ the extreme conditions in the rough spots, the high pressures and the changing gaps. And it does not see the contact area and the reaction force that we can see from outside,” explains Dr. Christine Fuchs, Vice President Global Research & Development at FUCHS. Therefore, in order to understand the performance of tribological systems and the lubricants used in them, you need to know these details. “However, it’s practically impossible to recognize them using metrology. This means that we need to calculate them.”

Moving tests to the virtual world

For this reason, there is an important area called “simulation and calculation” in FUCHS’ research and development department. However, using simulation calculations to find out the conditions and wear that a lubricant experiences in a given application is just the first step for experts in this field. If the simulation of mechanical parts succeeds – and existing, highly specialized expert tools make this possible – then it stands to reason that lubricants can also be integrated into the calculation model in order to be able to predict the behavior of the entire system. “In the end, our goal

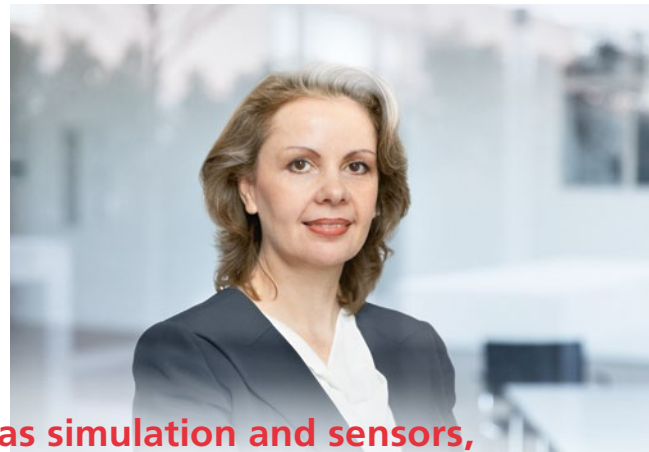
“Our goal is to make lubricant ‘talk’ and draw specific recommendations for action from that. There is a vast amount of added value in this.”

DR. MATTHIAS MARQUART | MANAGING DIRECTOR OF INOVIGA GMBH



“With tools such as simulation and sensors, digitalization helps us to quickly develop just the right products for our customers and offer even more comprehensive services.”

DR. CHRISTINE FUCHS | VICE PRESIDENT GLOBAL RESEARCH & DEVELOPMENT AT FUCHS PETROLUB SE



is to make the product development process faster and more efficient by moving at least part of the experiments and tests to the virtual world of simulations,” explains Christine Fuchs.

The perfect simulation is a virtual copy that behaves exactly like the real system. However, in the case of lubricants with the behavior described, this kind of “digital twin” is difficult to achieve, as the head of the simulation and calculation department explains: “In reality, there are always also chemical aspects to add to the mechanical and physical, e.g. surface effects.” As a result, he and his colleagues are already wrestling with the next big challenge – combining chemical and mechanical simulation. If the merger of these two worlds is achieved one day, it will be possible to shorten the development process again.

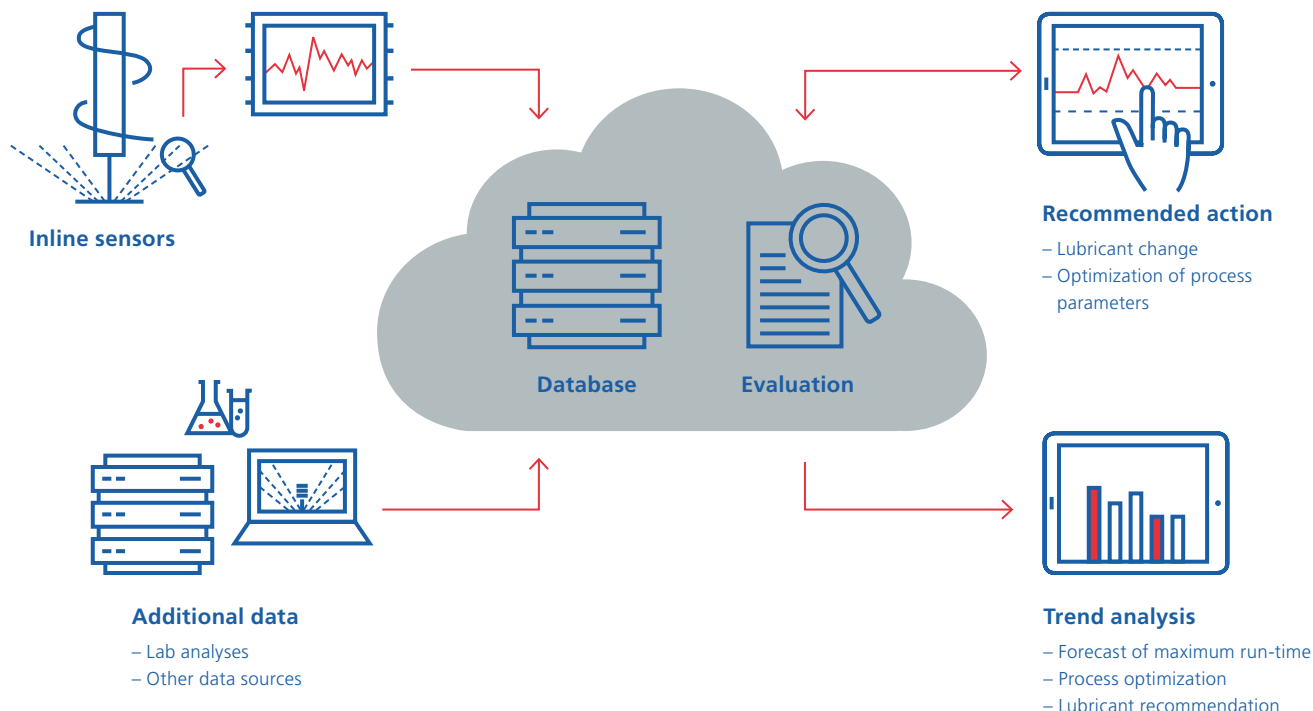
Getting the lubricant to “talk”

With the topic of simulation, it is a matter of a digital tool for the lubricant’s path to application, so another focus of research at FUCHS deals with another path for lubricant in application. The key words are sensors and networking. “Digitalization is leading us to the Internet of Things or, to put it simply, in the future everything will ‘speak’ with everything else. This means that we need to ensure that lubricant can join in,” says an engineer who focuses on sensors at inoviga, a FUCHS subsidiary (see p. 20).

Of course, the “talking lubricant” will not formulate words and sentences but rather provide information about its present condition. “Our goal is to continuously recognize relevant status parameters in order to recognize impending problems early on

The networked lubricant

If lubricants are made to 'talk' in the respective application by inline sensors with cloud connection, it could have many advantages. However, the step from pure data to informative analysis or recommended actions remains certainly challenging.



and to be able to address them,” says inoviga Managing Director, Dr. Matthias Marquart. A decline in certain parameters could be the signal to replace part of the lubricant as soon as possible – and an intelligent overall system could even lead the way in this process and, for example, order the required lubricant, temporarily reduce machine performance as a precautionary measure or similar.

In real time instead of by mail

This would be a major advancement for those responsible for maintenance. At the moment, they generally need to manually draw samples of lubricant at certain intervals, send these for analysis by mail and interpret the lab results a few days later in order to determine whether action is required. In the future, sensors could

directly determine the condition of the lubricant in the machine, transfer the performance data online into a central computer, which can assess it in real time. This entire process would need just a few moments.

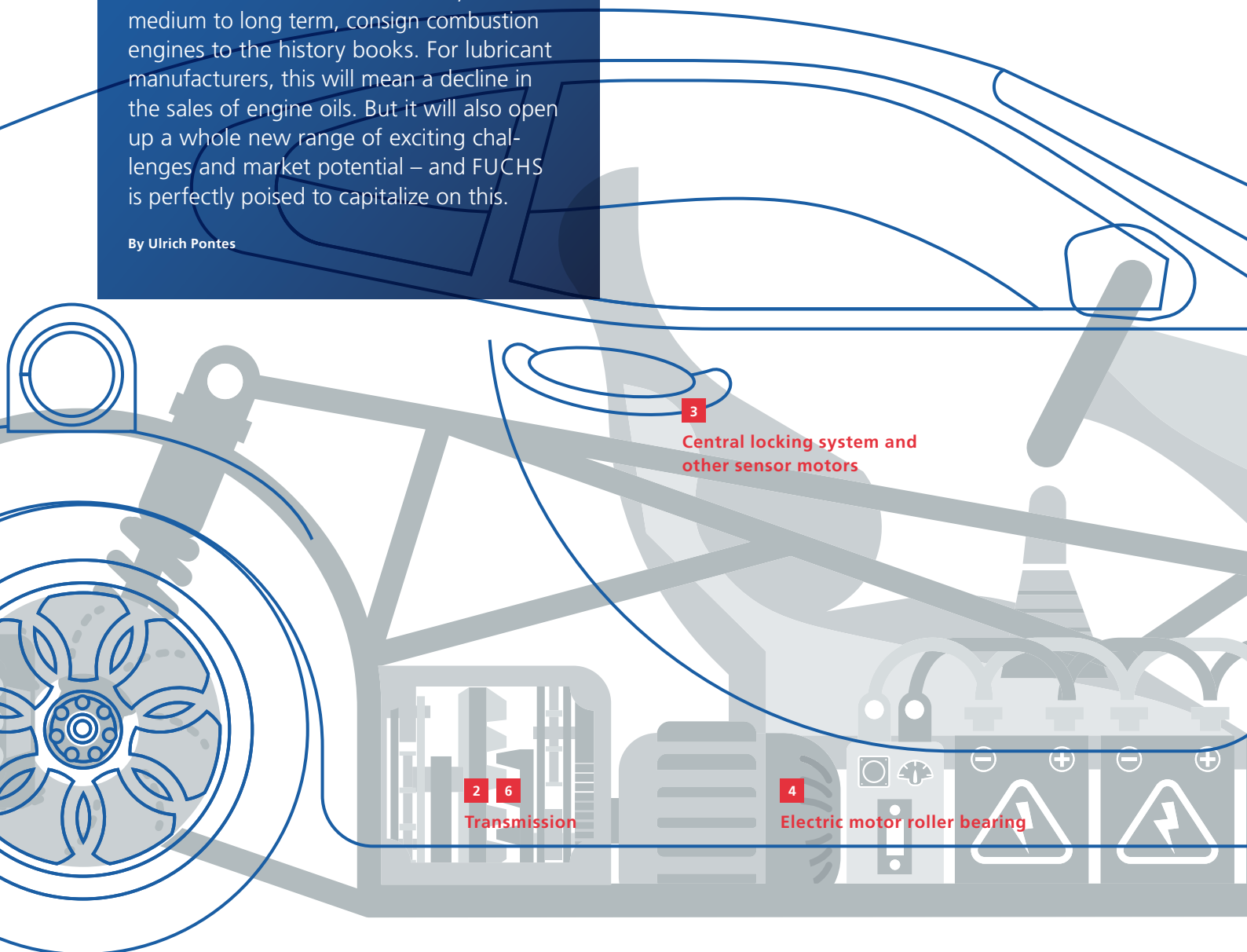
However, sensor experts at FUCHS still have a number of challenges to solve until then. For example, suitable products are still to be extensively tested in the context of relevant applications. “But the sensor is, for us, mainly just a part of a complex system,” says the inoviga engineer. Development work is still necessary to get from bare test results to relevant added value. According to experts, the biggest challenge is waiting when data arrives in the analysis computer: to draw specific recommended actions from it. ■

THE FUTURE'S ELECTRIC

Electric drives are becoming increasingly common on our roads and could, over the medium to long term, consign combustion engines to the history books. For lubricant manufacturers, this will mean a decline in the sales of engine oils. But it will also open up a whole new range of exciting challenges and market potential – and FUCHS is perfectly poised to capitalize on this.

By Ulrich Pontes

In 2016, the number of electric cars on the world's roads exceeded the two-million mark – and during the course of 2017 this number is likely to have increased by more than a million. These figures – which include not only purely battery-powered vehicles but also plug-in hybrids – show just how dynamic the market for electric cars has become. But as a proportion of the overall market, these figures are still very low – after all, around 100 million motor vehicles are produced every year. In some countries, however, electric cars do already enjoy a tangible market share – especially in Norway, where around 30% of cars are



electric. For the automotive sector and associated industries, this development entails far-reaching changes – including for lubricant manufacturers. “Together with the automotive industry, we have to face new challenges and new questions,” says the Head of Global Product Management Automotive at FUCHS.

One could assume that the expected decline in the number of combustion engines on the roads would be a cause for concern for the lubricants industry. After all, engine oil – the most widespread and highest-volume automotive lubricant – is not used in an electric motor. In fact, however, electromobility offers real potential – for FUCHS at least. Chief Technical Officer Dr. Lutz Lindemann (see the interview on page 19): “With electric drives comes a whole host of new requirements that will cause us to define new generations of lubricants.”

New materials, higher speeds, electromagnetic fields

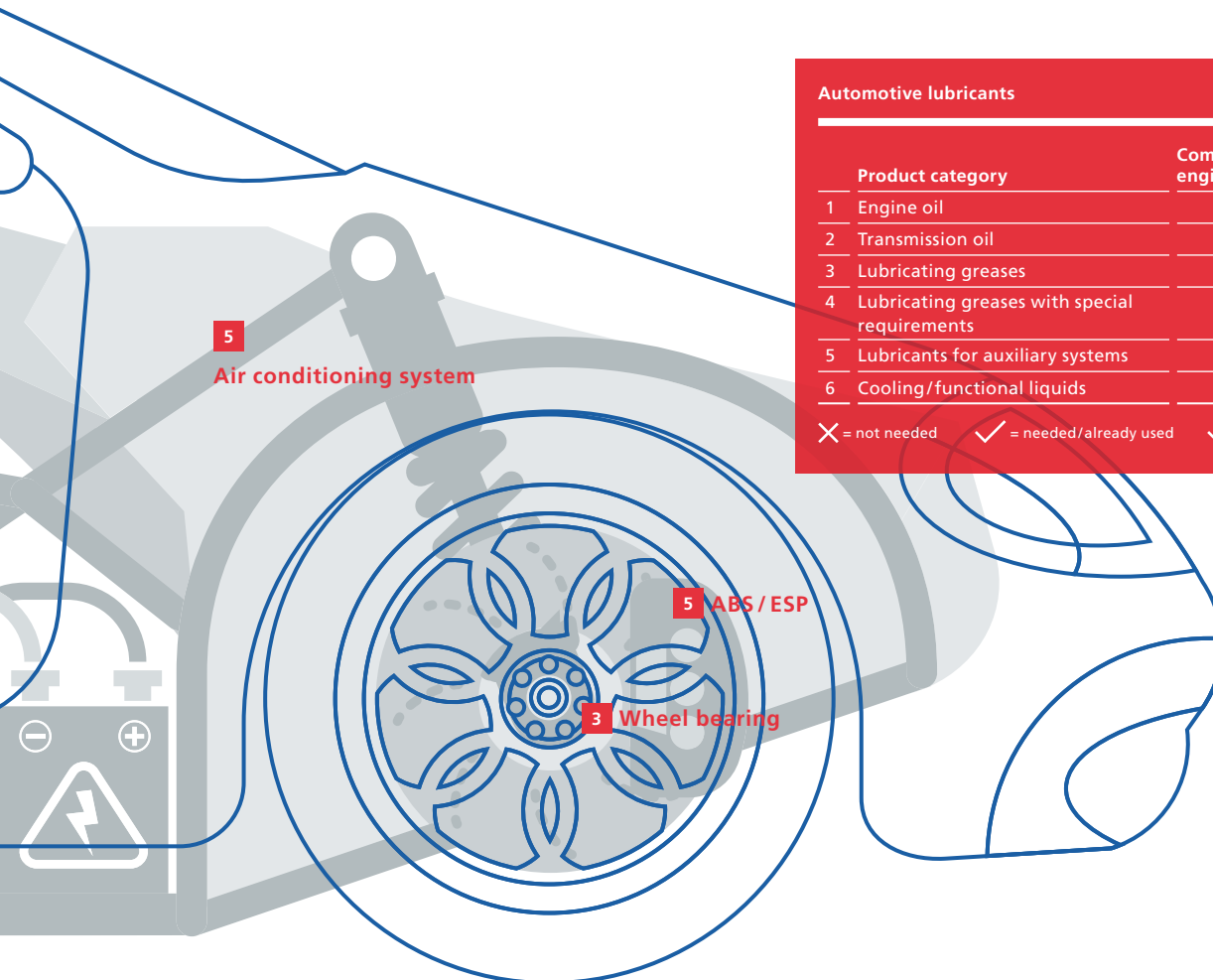
In response to this major, shared challenge, FUCHS is actively approaching its partners in the automotive industry and, through presentations at expert forums among other things, making it clear that the trend toward electric vehicle drives places numerous requirements on lubricants – these requirements will change the production process at first. Electric cars require new materials and production methods, in turn requiring new processing fluids. And then there’s the powertrain: Electric cars, too, have transmission systems and, in many cases, clutches, although these operate at much higher speeds and with much higher efficiency requirements.

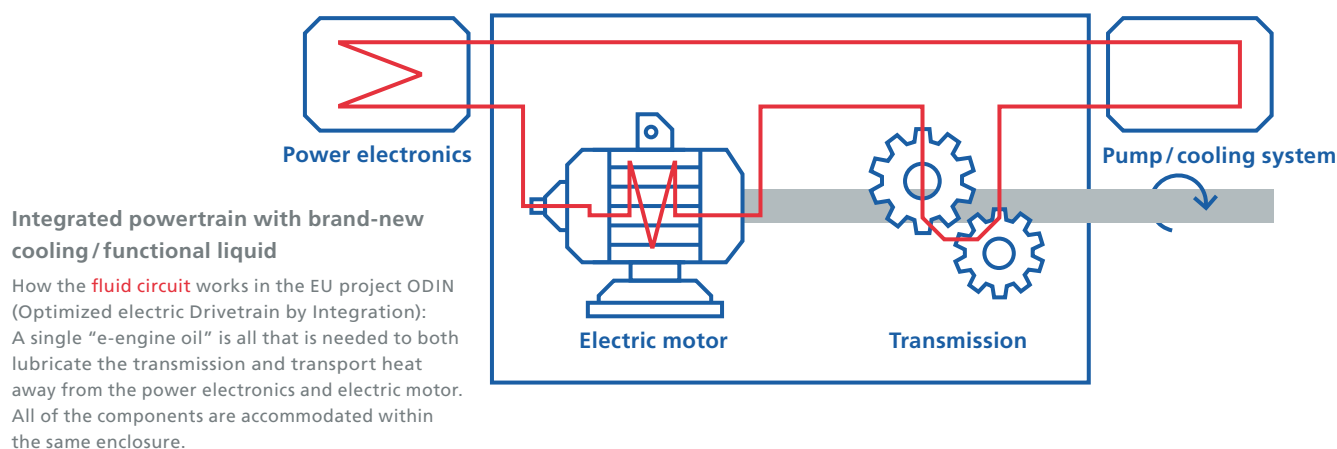
Another important area are the lubricating greases. Cars today contain around two-and-a-half kilograms of lubricating grease, applied in many different areas including in the engine, ancillary components and central locking system. In at least some of these

Automotive lubricants

	Product category	Combustion engine	All-electric drive
1	Engine oil	✓	✗
2	Transmission oil	✓	✓
3	Lubricating greases	✓	✓
4	Lubricating greases with special requirements	✗	✓
5	Lubricants for auxiliary systems	✓	✓✓
6	Cooling/functional liquids	✓	✓✓

✗ = not needed ✓ = needed/already used ✓✓ = increased need





areas, the conditions in electric cars are much harsher. The greases have to be able to withstand higher temperatures and much higher rotational speeds. Additionally, they come into contact with a wide range of materials – from copper cables to special plastics – as well as with electronic modules and sensors, electrical currents and electromagnetic fields.

New additives, new measurement processes

It is precisely these electrical requirements that the FUCHS development team has been focusing on for some time now. “We had to come up with whole new ways of influencing – to a greater or lesser extent – the electrical properties of lubricants,” says the head of predevelopment. Potential solutions include brand-new additives and appropriate measurement processes: “We already use rheological and tribological measurement methods in electrically charged environments in our laboratory.” That said, FUCHS is well positioned because it already has a wealth of vital experience in the development of numerous detailed electrical solutions for cars: “Even cars equipped with combustion engines contain dozens of electric motors performing a wide range of tasks,” says the divisional head. “The task now is ‘only’ to electrify the primary power train, although that is a bigger challenge than you might think.”

Concerning this particular challenge, the industry is still very much in its early stages. “The layperson might think: ‘Vacuum cleaners with electric motors have been around for a century now, so what’s the problem?’” says the head of predevelopment. But the requirements are not remotely comparable: “Cars are much more dynamic in their operation.” And he mentions another important aspect – energy efficiency: “In electric cars, reducing friction through the use of lubricants is fundamentally even more important than in cars with combustion engines. While the top develop-

ment priority right now for combustion-engine cars is to cut CO₂ emissions, for electric cars it is to achieve ever-greater ranges. And achieving both of these goals also ultimately involves reducing friction.”

» It is part of our culture here at FUCHS to respond rapidly to new requirements. The trend toward electromobility is a fantastic opportunity for us to break new ground.«

On top of this are high expectations regarding performance, weight and, above all, cost. “A wide range of different approaches to develop partial or fully electric powertrains is currently being explored. Regardless of which approach wins out, they all have areas that urgently require optimization,” says the expert from FUCHS. “This is why nobody yet knows which concept will perhaps become the established standard in 20 years.”

Multi-functional e-engine oils

This period of transition is also a good time to explore new approaches. One of these is the idea of integrating the different components of an electric powertrain – power electronics, electric motor and transmission – in an enclosure that is as compact as possible to save weight and costs. It was with this objective in mind that the EU joint research project “Optimized electric Drivetrain by Integration” (ODIN) was launched in 2014 in collaboration with consortium partners such as Renault and Bosch. FUCHS contributed the idea of developing a suitable “e-engine oil” for a combined lubricant and cooling circuit – in other words, a cool-

» We have set up teams in Germany, China and the USA who focus on e-mobility, analyze customer requirements and convert these to suitable products. «

DR. LUTZ LINDEMANN | CHIEF TECHNICAL OFFICER



ing/functional liquid that simultaneously allows almost frictionless rotation of the transmission, transports the waste heat away from the electronics and the motor and can be pumped through the lines with as little energy expenditure as possible. "We developed a range of possible formulations and successfully created viable e-engine oils," says the head of predevelopment. The overall project thus achieved its aim: "We presented an exciting, almost fully developed alternative concept for an electric drive. We now have to wait and see whether and for what purpose carmakers will adopt it."

The optimum degree of integration, however, is just one of many concept-related questions to which there are still no sound answers: Is electricity the best and most sustainable energy source for cars, or are renewable fuels likely to constitute serious competition? Which of the numerous electric motor design principles is the most effective? Which speed range is the best? Is a transmission with a fixed gear ratio sufficient, or is gearshift capability a better idea?

For lubricant manufacturers, one virtue is most important: smoothness of running. And as the world's largest independent lubricant specialist with an extremely broad portfolio and almost unparalleled experience, FUCHS has exactly what it takes to respond flexibly to these future challenges. Or, as the automotive product manager puts it: "It is part of our culture here at FUCHS to respond rapidly to new requirements. The trend toward electromobility is a fantastic opportunity for us to break new ground and remain at the cutting edge of technological development." ■

Dr. Lindemann, since the diesel scandal, more and more people are predicting the demise of the combustion engine. What does this mean for FUCHS?

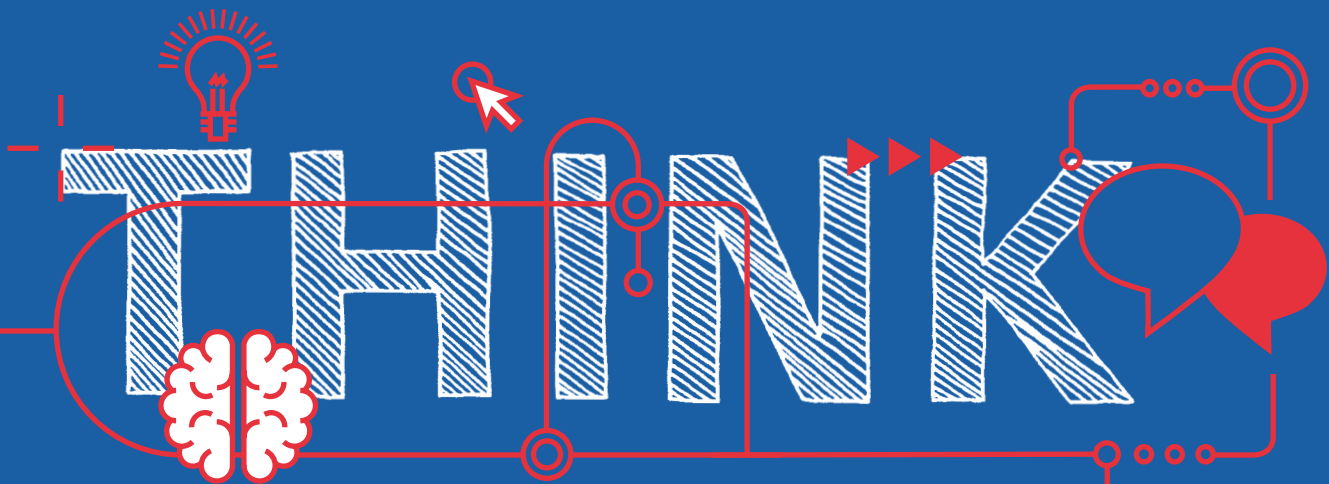
First, there's no need to be alarmist. It is indeed true that more and more cars, particularly in urban environments, will be equipped with electric motors. The conventional, combustion-powered drivetrain is still going to be with us for some time, however, in the form of hybrid drives, for example. Quantitative forecasts are difficult because there are too many unknowns, but it does seem conceivable to us that, by 2030, the global market share of electric cars could be as high as around 30%, with a significant proportion of this figure comprising hybrids as a form of transitional technology.

This, too, will see shifts in the market.

As far as the global market for lubricants is concerned, we are indeed expecting to see a marginal decrease in the overall volume. But why only marginal? There are a number of reasons for this: The only liquid that is not required in all-electric cars is the engine oil – all-electric cars still have transmission systems, regardless of contradictory rumors. But, as I said, the demand for engine oil will fall only gradually. And what makes electric cars so exciting is the fact that they will result in a whole new demand for lubricants.

How can FUCHS leverage this potential?

Our comprehensive product range and our experience in developing just the right solutions quickly and flexibly mean that we are perfectly poised to capitalize on this. Our development team has spent a long time expanding our arsenal of solutions aimed at meeting whole new requirements. And we have set up teams in the technology-driven markets of Germany, China and the USA who focus on e-mobility, analyze customer requirements and convert these to suitable products.



Digitalization and networking are key topics for FUCHS, as they are almost everywhere in the industry. Our approach focuses on much more than just efficient communication. Business should be more transparent, data treasures should be extracted, making entirely new business models possible. The epicenter of these developments is the newly established inoviga GmbH.

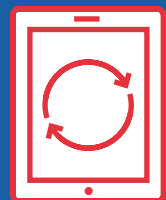
By Ulrich Pontes

Anyone going there, where FUCHS is bundling its interests in things related to digitalization, moves to a place far away from production facilities, tanks and chimneys. This path leads to the Lindenhof district of Mannheim, close to the city, to the Mafinex campus for high-tech startups. Approximately 60 new companies are based in the modern, segmented office building: software developers, internet startups, highly specialized engineering service providers – including of course inoviga GmbH, the newest subsidiary of the FUCHS family.

“We are developing concepts so that FUCHS – in light of the disruptive changes caused by digitalization – can continue its success story and make use of its strengths in new ways,” says inoviga Managing Director Dr. Matthias Marquart. To be really independent of established routines, a decision was made to set up a new company. Intentionally the site was located apart from the FUCHS headquarters to make clear that it serves all Group companies equally as a think tank: “The digitalized world knows no borders in the traditional sense,” emphasizes Marquart. “Therefore, it’s important to us to take various local needs and cultural characteristics into consideration.”

Of course, a small innovation developer operating outside existing structures cannot cover all aspects that come with the mega-topic of digitalization. FUCHS is further developing its digital infrastructure at all levels. The expanded intranet and new, cloud-based office and communication solutions simplify global open communication, an element of the DNA at FUCHS. Other global IT projects relate to customer management and personnel management. Modifications to the central ERP systems ensure that the company is prepared for future requirements and possible new business models.

In turn, what such requirements and business models might look like is one of the issues which Matthias Marquart and his colleagues deal with. Other key areas for the four-person team are e-commerce, big data – i.e. the question of how process and market data can be leveraged – and the Internet of Things. “In this broad field, it is a case of identifying issues with which we can generate added value for FUCHS,”



Scenario number two toys with the idea of offering a specific function as a service in the future instead of the lubricant product. "For example, if we want to guarantee a certain running time for machines, we need more than just sensors to monitor the condition of the lubricant," explains Marquart. "The system should also respond automatically, for example to order replacements." This is a comprehensive integration task that also includes production planning, logistics, warehousing and accounting. What is clear is that a holistic plan such as this to restructure the business is, for the time being, still just a dream of the future. However, since inoviga's establishment, it has at least been clarified who is responsible for making it reality. ■

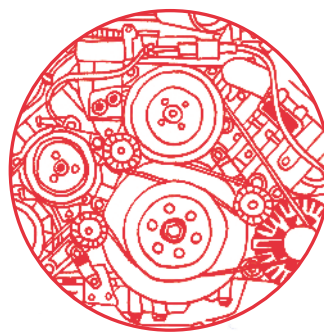
currently comprises four employees. Its diversity reflects the broad spectrum of topics inoviga deals with. Managing Director Dr. Matthias Marquart is a qualified mechanical engineer and has been working with a variety of digitalization topics at FUCHS for many years. The team also includes an economist with experience in innovation projects, an engineer specializing in microtechnology and sensors and an experienced FUCHS global key account manager from the USA.



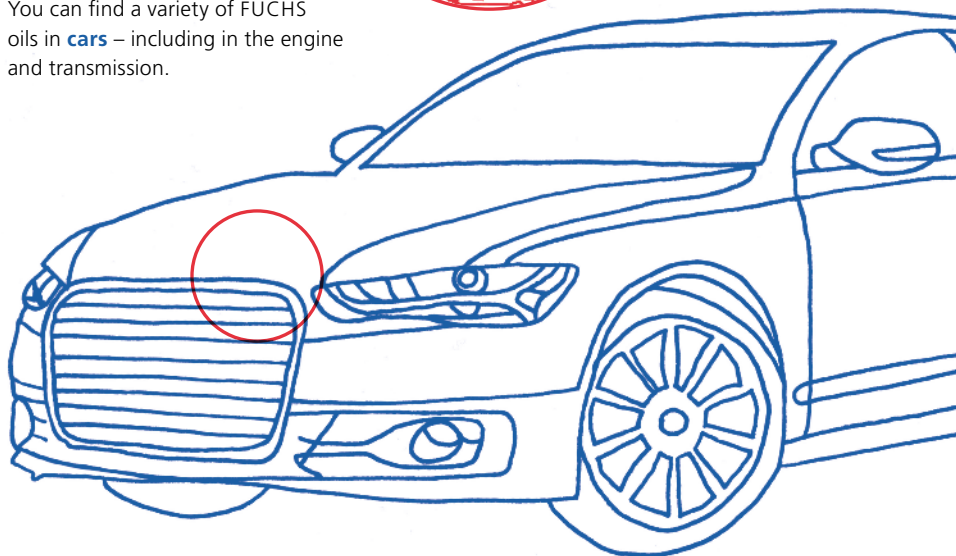


SERVICES

In the services product category, FUCHS offers analytical services, coating services, chemical process management (CPM), maintenance monitoring, customized development, special services for food processing (LCCP) and special services for open gears as well as technical advice.



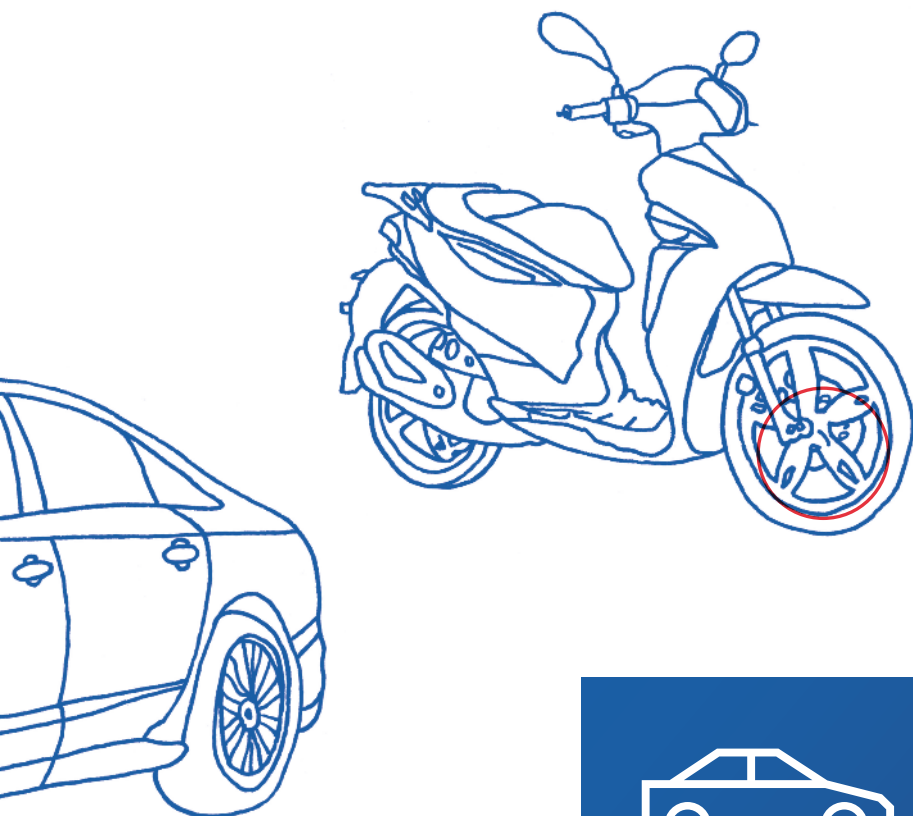
You can find a variety of FUCHS oils in **cars** – including in the engine and transmission.



FUCHS, YOUR EVERYDAY COMPANION

Whether in the sausage slicer or the refrigerated section, the vacuum cleaner or the washing machine, FUCHS lubricants can be found in many everyday items. We provide customized products for hundreds of applications in six product categories. See where you can find us as you go about your day – some things might surprise you!

By Silke Wernet



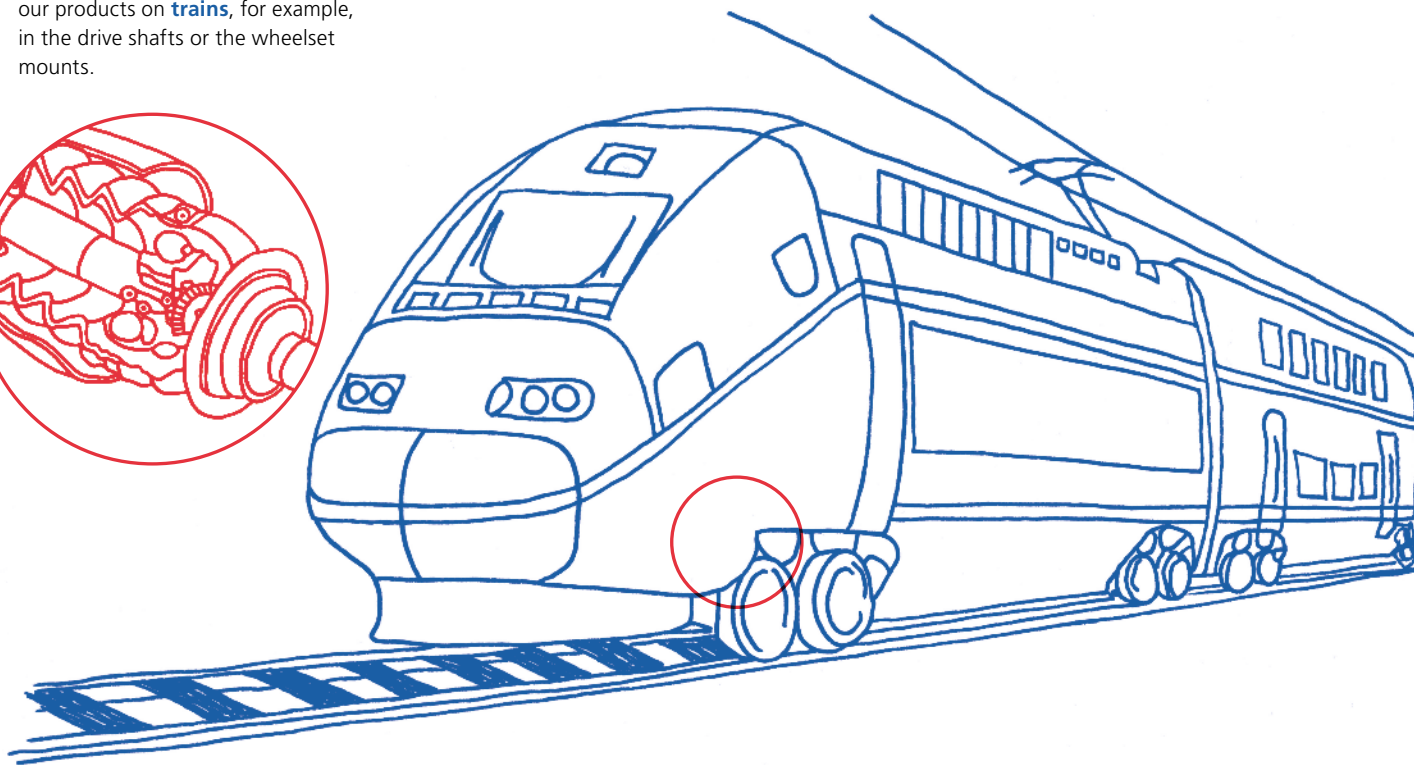
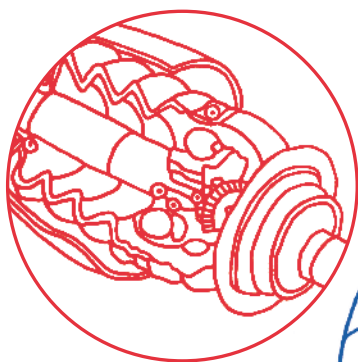
Various oils and operating fluids are also required for **scooters**. In addition to engine and gear oils, FUCHS also supplies brake fluids and radiator antifreeze.



AUTOMOTIVE LUBRICANTS

Our products in the automotive sector include lubricants and operating fluids such as engine oils, gear oils, central hydraulic oils, greases, shock absorber fluids, biodegradable lubricants as well as brake fluids and radiator antifreeze.

You will also come across many of our products on **trains**, for example, in the drive shafts or the wheelset mounts.



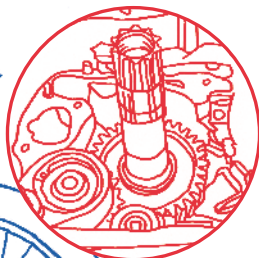
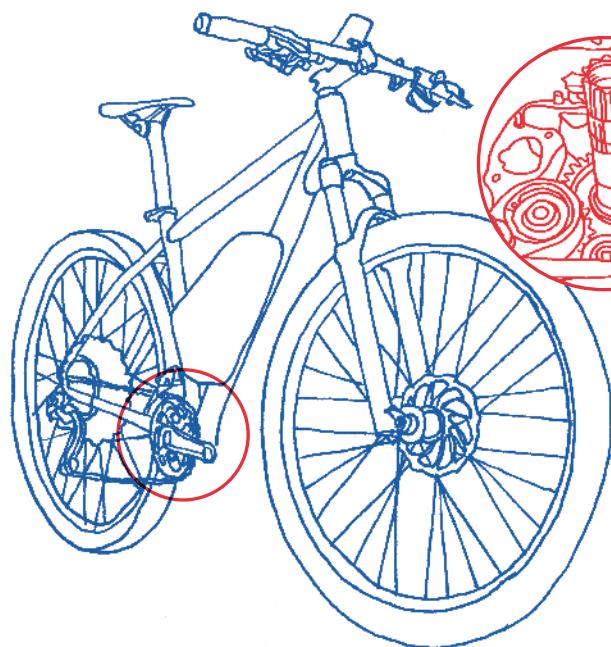
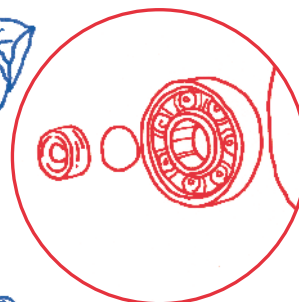


LUBRICATING GREASES

The FUCHS range of lubricating greases includes multi-purpose/longlife greases, greases for plain and roller bearings, wheel bearing greases, gear box, food grade greases, greases for extreme temperatures, greases for rail vehicles, greases for machine tools, biodegradable greases, greases for central lubricating systems, assembly pastes and greases in spray cans.

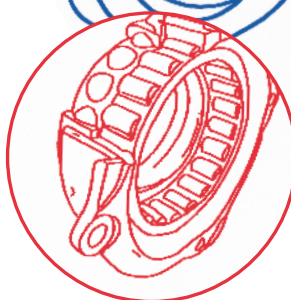
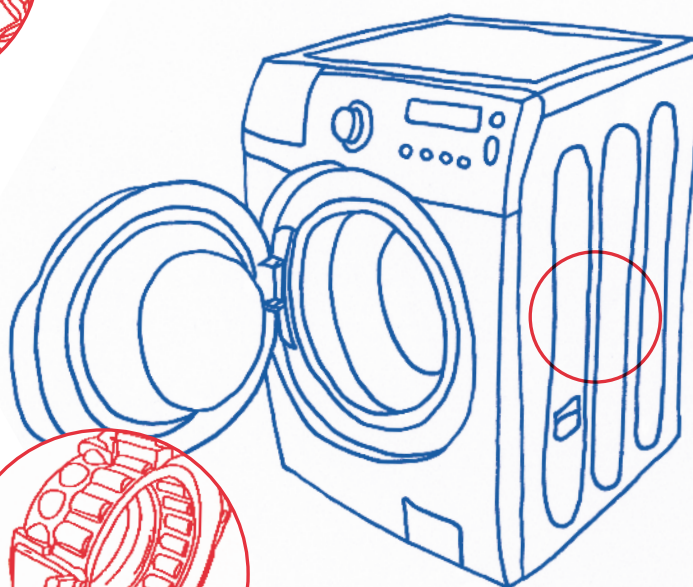


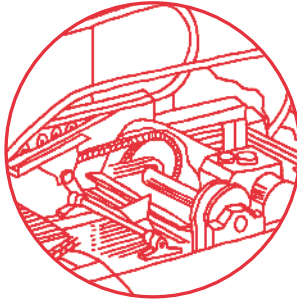
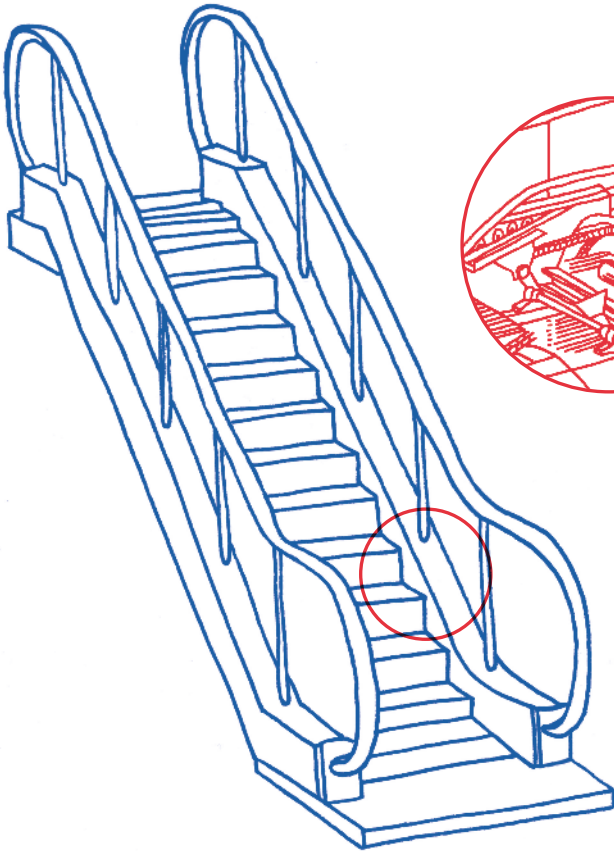
You can perform amazing tricks on your **skateboard** thanks to FUCHS lubricating grease in the wheel bearings.



We also ensure that you can get around quickly and smoothly thanks to our greases for gearwheels in the electric motor of your **e-bike**.

For clean trousers and T-shirts your **washing machine** has to function perfectly. This is ensured by our lubricating greases in the roller bearing of the drum and the shock absorber, which dampens vibrations caused by unbalance during the spinning process.





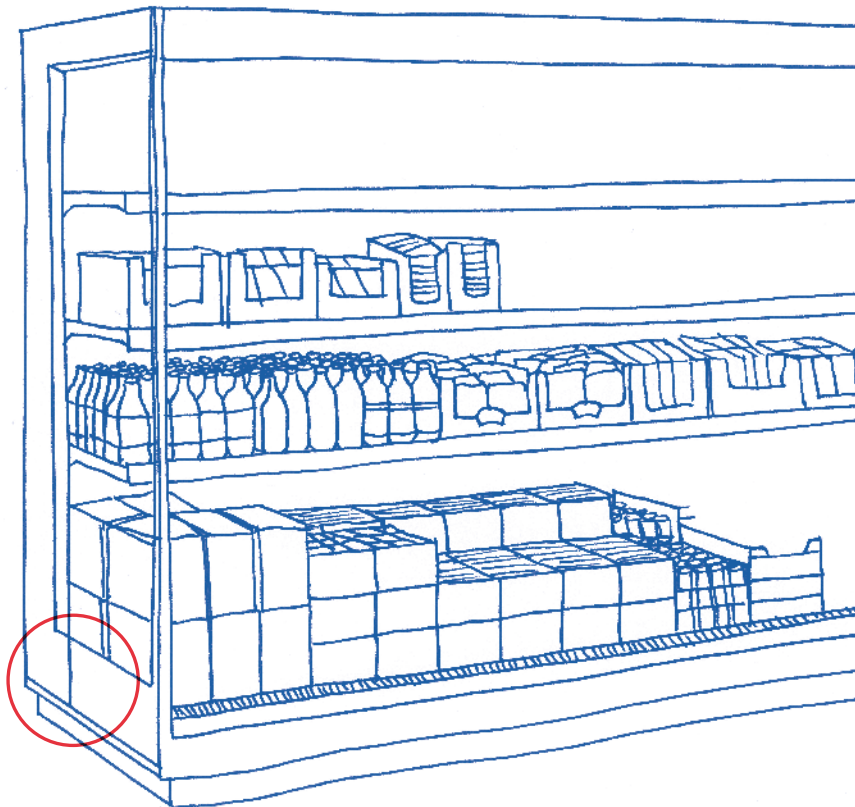
Escalator drive systems run smoothly thanks to gear oils from FUCHS. Furthermore, our products can be used for circulating tracks.

For the industrial sector, we produce rapidly biodegradable lubricants, greases, gear oils, slideway oils, adhesive lubricants, heat transfer oils, hydraulic oils, refrigeration oils, compressor oils, machine oils, textile machine oils, transformer oils, turbine oils and cylinder oils.



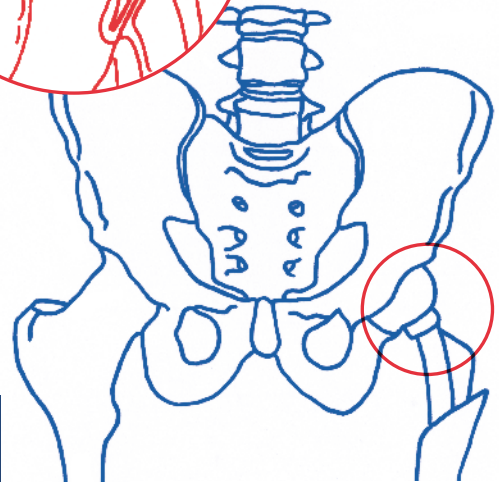
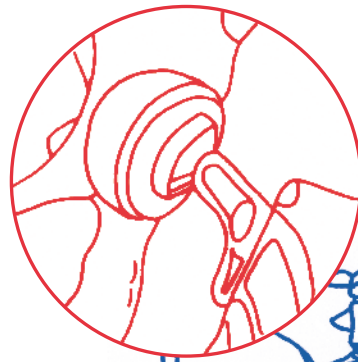
**INDUSTRIAL
LUBRICANTS**

Would you ever have guessed that our refrigeration oils can sometimes be found in the refrigeration compressors in the **refrigerated section** of your supermarket?





Who would have thought? When your **bath**tub was manufactured, our lubricants may have been used on the pressing tools.



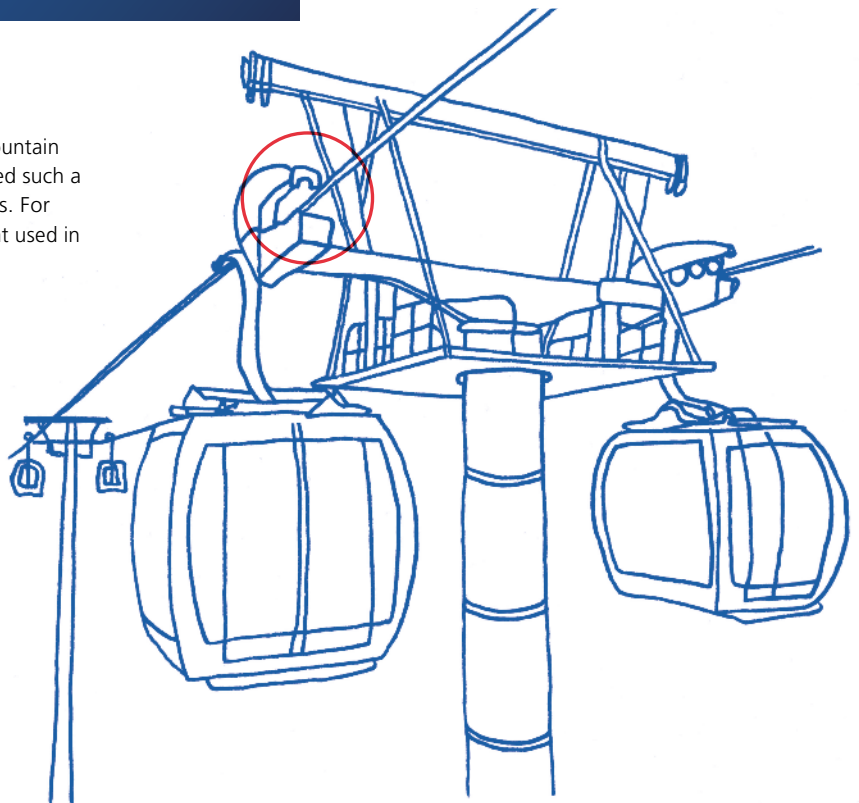
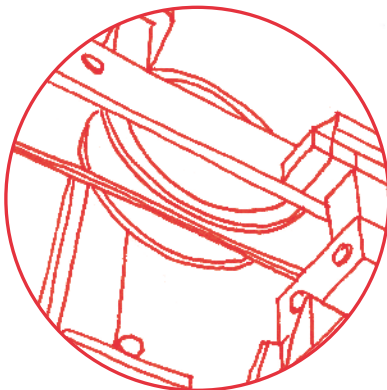
When it comes to knee and hip implants or dental implant pins, FUCHS supplies high-performance cooling lubricants tested on cytotoxicity for the **medical industry**.



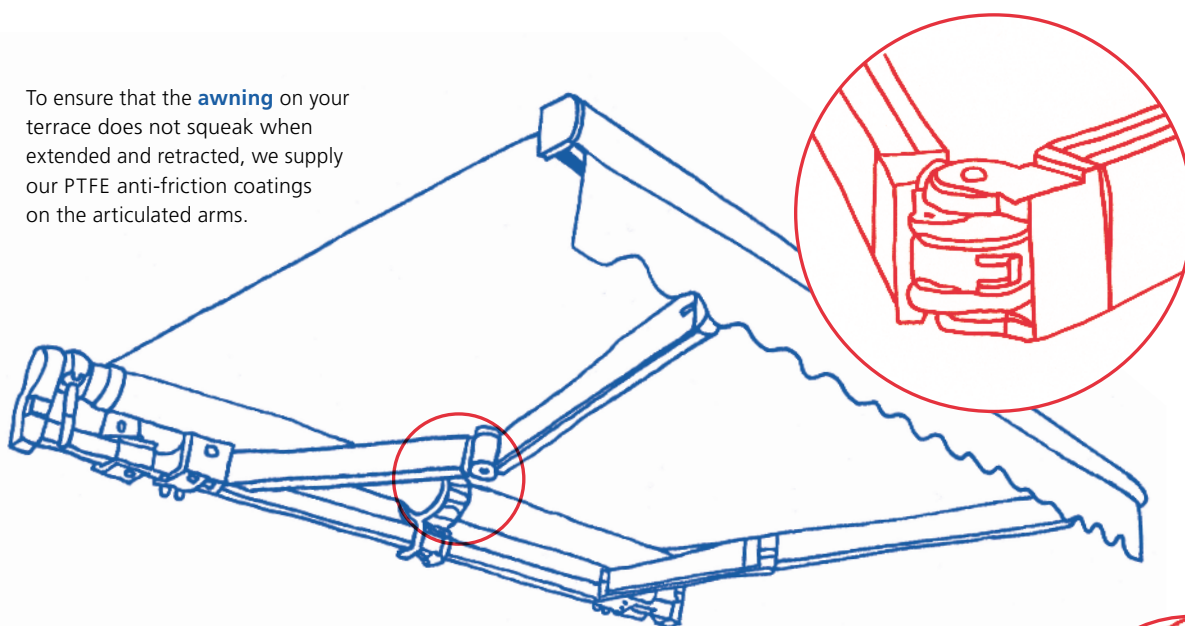
METAL PROCESSING LUBRICANTS

For the metal processing industry, FUCHS develops customized solutions for quenching fluids, corrosion preventives, minimum lubrication, cleaners, cutting and grinding and forming lubricants.

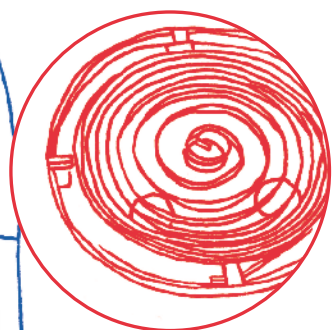
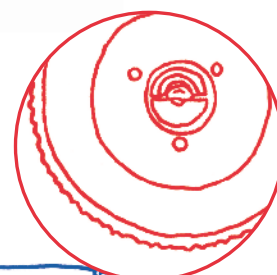
Anyone who has traveled up a mountain on a ski lift might not have enjoyed such a smooth trip without our products. For **cable cars**, we produce a lubricant used in the production of wire ropes.



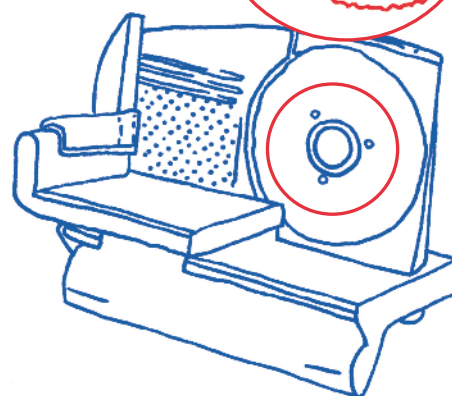
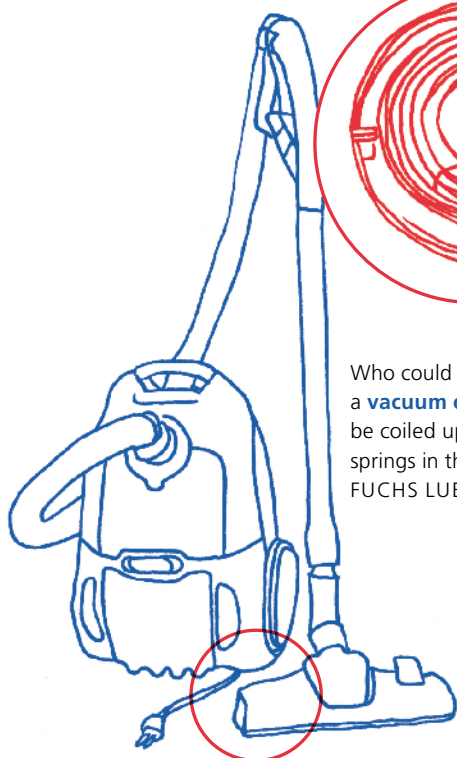
To ensure that the **awning** on your terrace does not squeak when extended and retracted, we supply our PTFE anti-friction coatings on the articulated arms.



Since lubricant on the blade of a **sausage slicer**, for example, can come into direct contact with food, we produce a lubricant that is specially tested for contact with foodstuffs.



Who could manage the housework without a **vacuum cleaner** with a cable that can be coiled up at the touch of a button? The springs in this mechanism are coated with FUCHS LUBRITECH anti-friction coating.



Our products for special applications include food-compliant lubricants, adhesive lubricants for open transmissions, anti-friction coatings and films for dry coating, pastes and special greases, concrete release agents and high-temperature chain oils as well as lubricants for the glass manufacturing process, hot forming, the wind energy sector and the sugar industry.



**SPECIAL APPLICATION
LUBRICANTS**

HIGHLIGHTS

NEW COOLING LUBRICANTS PRESENTED AT EMO TRADE FAIR

The EMO is the world's largest machine tool trade fair. For six days, FUCHS SCHMIERSTOFFE GMBH presented its products, represented by employees from Germany, Spain, Italy, Poland, Russia, China and the USA. A highlight was the new synthetic, water-miscible cooling lubricants in the ECOCOOOL S series. "One of their distinguishing features is their noteworthy efficiency," reports the Head of Marketing Services. "Thanks to their excellent lubricating properties, they achieve a high level of machining and cutting performance." Another highlight in Hanover was the announcement of the technology partnership with DMG MORI in Europe. DMG MORI AG, based in Bielefeld, manufactures metal machine tools (more information about the partnership on the following page).



TWO SUSTAINABILITY AWARDS RECEIVED

In 2017, two teams were delighted to be presented with the FUCHS Sustainability Award. The research and development/ PM department of FUCHS SCHMIERSTOFFE GMBH received the award for the development of various "sustainable" industrial oil products. The Spanish/French research and development department took the victory with its project "The Next Serial Tree Planter."

The internal FUCHS Sustainability Award was introduced in 2016. Its goal is to further embed the issue in the Group. From now on, each of the winning projects will be presented during the annual FUCHS Global Sustainability Meeting.

RESEARCH AND DEVELOPMENT DEPARTMENT RELIES ON WORLDWIDE COLLABORATION

In November, 120 experts from research and development met at the international R&D meeting in Mannheim. The event mainly promotes cross-border networking. This worldwide collaboration is very important to FUCHS. Twice a year, experts from numerous labs come together to discuss the current research and product-related challenges in the industry. "The most important topics at the moment are new concepts for electromobility and lubricant solutions for Industry 4.0," reports Dr. Christine Fuchs, Vice President Global Research & Development. Important aspects of this are advancing digitalization and the accompanying methods, such as design of experiments. To do this, an IT tool is building up algorithms in databases. The objective of this efficient and resource-conserving methodology is to determine and statistically analyze the interdependency of different influencing factors in as few, systematically planned experiment designs as possible.



15

FUCHS now has 15 Key Working Groups, with which the company is advancing research and development projects. Just over six years ago, the concept started with two groups and has been continuously expanded since then.



TECHNOLOGY PARTNERS: DMG MORI AND FUCHS

With innovative product developments, together FUCHS and DMG MORI are setting standards for machine tool lubricants and have agreed a technology partnership. Other goals of this cooperation, from which customers and operators will benefit in particular, include the expansion of digitalization in production and condition monitoring for machines and equipment. "For the best possible level of productivity in intensive workpiece machining on machine tools, using the right lubricant is essential," says Christian Thönes, Chairman of the Executive Board at DMG MORI AG, one of the worldwide leaders in manufacturing machine tools, explaining the collaboration.

NEW PRODUCTS (NOT JUST) FOR E-MOBILITY

A number of product innovations are arising from FUCHS' hard work on development. This applies in particular to the electromobility sector – a focus of research at the company. "In e-mobility, gear oils and greases, for example, need to meet completely new requirements and also need to be compatible with materials different to those found in traditional vehicles," explains Dr. Christine Fuchs, Vice President Global Research & Development. The mobility department harbors major future potential for FUCHS. Therefore, it has its own Head of E-Mobility, who is in charge of looking after this topic, since November. However, FUCHS is also developing highly innovative new products for long-standing industries. For example, devices and fluids that prevent even the finest particles from reaching the atmosphere during the extraction process have been developed for the mining industry. This protects people and the environment from dust contamination.

2017



"We are proud to say that three generations of our family have worked here. Everything we have is linked to this company. You could say that our lives revolve around FUCHS."

ISMAIL AKCESME (30) has been working at the large-scale filling station since 2011. He is a foreman and runs a team of roughly ten employees per shift.



FAMILY TIES

Whole families employed by the same company – this is not uncommon at FUCHS. Take the Akcesmes from Ludwigshafen, for example. Three generations of their family have worked for the lubricant manufacturer headquartered in Mannheim. This is a very special family history, and it all started back in 1965.

By Silke Wernet





Up to 400,000 liters

of oil and other lubricants pass through the large-scale filling station into a wide range of containers on a daily basis, and this number is on the rise.

When Ismail Akcesme came to Friesenheimer Straße in 1965, his German was still very poor. He had moved to Germany two years previously as a migrant worker from Turkey, first working in a mine in Dortmund, and then earning his living as a road worker in Karlsruhe. He was visiting his brother in Mannheim when he mustered up the courage to ask for work at the gates of the large company. At first without enjoying great success. He was just about to leave when suddenly a man addressed him. It was the plant manager, who offered Ismail Akcesme a job on the spot and invited him onto the plant premises. The migrant worker stayed with the company for many years (35 in total). In fact, he was one of the first Turkish people ever employed by FUCHS. This was also the beginning of a very special family history, because many years after him, more Akcesmes are joining the lubricant manufacturer's ranks in Mannheim, including his son Ekrem and grandson Ismail junior.

A stroke of luck for the family

"For us, this history remains a great stroke of luck to this very day," says grandson Ismail, looking back. "That bit of fortune back there on the street has paved the professional careers of our whole family." The 30-year-old has worked since 2011 at FUCHS' large-scale filling station, where millions of liters of engine and hydraulic oils, industrial oils and all manner of specialty lubricants are collected into a wide range of containers every year. He had never worked with his grandfather and namesake – Ismail senior remained at the grease factory from the moment he was employed right up until 2000 – but he does work with his father Ekrem. If they meet in the factory these days, it'll be on the early shift. Ismail, who is a qualified refrigeration and air conditioning technician, works as a foreman. Ekrem Akcesme, who joined the large-scale filling department in 1984, is no longer able to work in shifts after suffering two serious heart attacks. He is now working in the office of the department.

Learning from "dinosaurs"

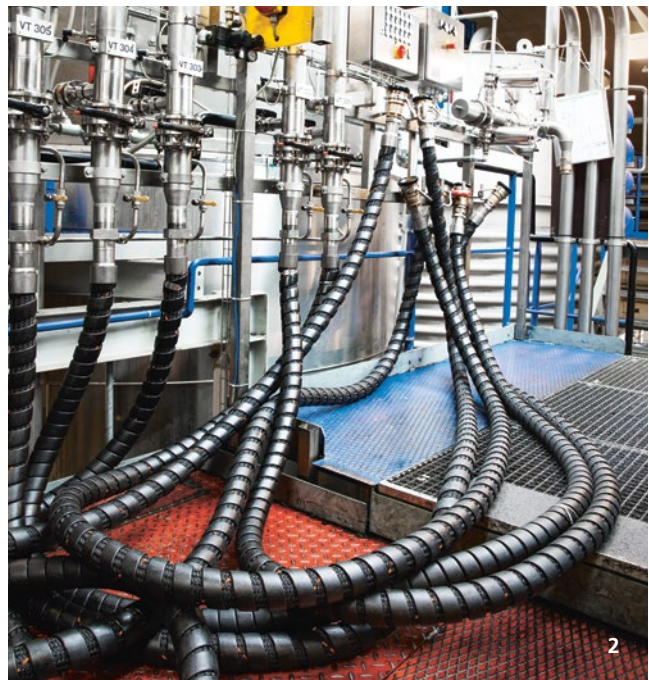
What is it like for junior and senior to work together? "Let me put it this way, you can learn a lot from the dinosaurs," says Ismail Akcesme, laughing and looking mischievously at his father, who has two other sons. Ismail is the oldest. "No, seriously. He used to be a foreman as well; I practically took over his whole team. His decades of experience have been invaluable to me." 53-year-old Ekrem Akcesme adds: "Of course I like to give him tips."

Everything has stayed within the Ludwigshafen family. In the past, it was sometimes the same when the working day was over. "My wife often had to forcefully put a stop to many of the conversations about the company around the dining table," recalls the father. But one thing was always clear to the Akcesmes: "Each of us always knew how much we owed to the company." Son Ismail, whose childhood was inevitably strongly influenced by FUCHS, emphasizes the point: "We are proud to say that three generations of our family have worked here. Everything we have is linked to this company. You could say that our lives revolve around FUCHS." In the past, people used to mock his father at school: "When I was a child, my German wasn't very good. When I told people that my dad worked for 'Öl-FUCHS', the other pupils didn't really understand what I meant and made fun of me," explains Akcesme, who moved with his mother to Germany in 1972 when he was eight years old. "But of course every person in the region knows this company."





- 1 // The father and the son: Ekrem (left) and Ismail Akcesme both work at FUCHS in the "large-scale filling" department. But they only work together during the early shift.
- 2 // Ismail Akcesme works as a foreman. He and his team operate 13 filling lines in alternate patterns.
- 3 // The third generation of the family: Grandfather Ismail senior also worked at FUCHS for 35 years.



- 1 // The different products make their way through pipes from the tank farm and mixing plant to the main hall, where they are filled into containers such as drums.
- 2 // The latest filling technology makes it also possible to deal with the rapid increase of filling volumes.
- 3 // The containers are sealed before being shipped off on the conveyor belt to the high-bay warehouse.

"The effects of my illness are already limiting the activities I can do. FUCHS has been very accommodating as an employer. This should not be taken for granted."

EKREM AKCESME

After suffering two serious heart attacks, Ekrem Akcesme (53) is no longer able to do shift work. He worked for almost 35 years in the "large-scale filling" department.





“When I was a child, my German wasn’t very good. When I told people at school that my dad worked for ‘Öl-FUCHS’, the other pupils didn’t really understand what I meant and made fun of me. But of course every person in the region knows this company.”

EKREM AKCESME, WHO MOVED TO GERMANY IN 1972 WHEN HE WAS EIGHT YEARS OLD.

A special family-like environment

Ekrem Akcesme has gained a special appreciation for the strong family-like environment and the high level of responsibility that the family-run group demonstrates toward its employees, especially after his own period of illness, which continues to limit him to this day. “After this difficult time, I genuinely felt that I was in good hands,” recalls the qualified gas and water fitter. “FUCHS really has been very accommodating as an employer. This should not be taken for granted.” The Akcesmes discovered that these ties to the lubricant specialist extend beyond their immediate family circle and national borders when they visited Izmir, where the family has its roots. “We learned entirely by chance that my mother’s cousin works for OPET FUCHS,” says Ismail Akcesme. And the family’s ties to FUCHS could potentially become even greater, as his youngest brother, who still attends school, did an internship at Friesenheimer Straße – in the training workshop and laboratory.

Shifts around the clock

Foreman Ismail places special emphasis on instilling a family-like environment with his team at the large-scale filling station. In this respect, he is following his father’s advice: “I told him, don’t pass stress on to your people. Make sure there is a good working environment, even when things get hectic.” And things can sometimes get very stressful at the large-scale filling station, where staff work in three shifts around the clock, six days a week. There are up to ten employees per shift alternating between 13 filling

lines. The different products make their way through pipes from the tank farm and mixing plant to the main hall, where they are filled into canisters and drums of varying sizes, not to mention into 1,000-liter containers. Afterwards, employees seal and label the containers before shipping them off on the conveyor belt to the high-bay warehouse.

Control: three-person principle

Back in the 1980s, filling amounts ranged between 60,000 and 80,000 liters a day. Now, the department works with volumes of up to 400,000 liters a day – and this number is rising. One employee alone fills between 40 and 60 containers per shift on average. Every movement, every fill has to be perfect. If mistakes occur, customers may even receive the wrong oil. But Ismail Akcesme can rest assured: “Our error rate is practically zero. Taking into account the filler, foreman and quality controller, our checks are carried out at the very least in accordance with the two-person principle, and mostly in accordance with the three-person principle.” He also knows that there is a state-of-the-art laboratory analyzing all his filling operations, which will identify even the tiniest of mistakes. Over all these years, Ismail Akcesme has learned a great deal from his father, who in turn learned from his father, Ismail senior, who once plucked up the courage to ask for work in broken German in Friesenheimer Straße. A stroke of luck for the entire Akcesme family – and for FUCHS. ■

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

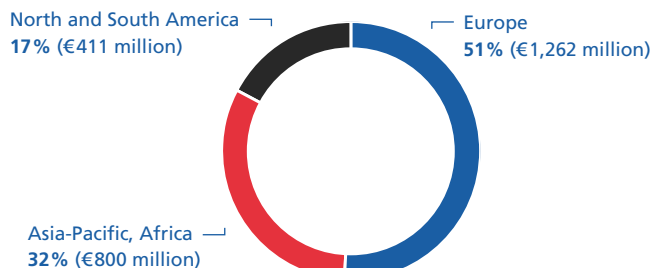
Employees: More than 5,000, of which more than 400 in research and development (R&D)

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

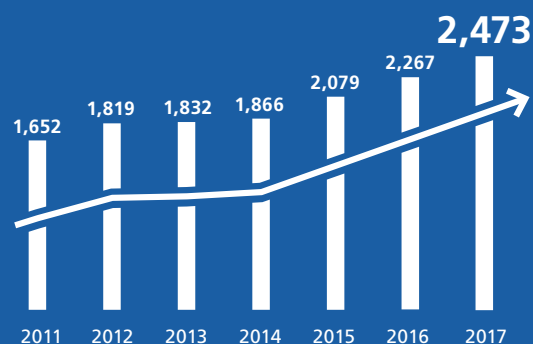
Products: A full range of more than 10,000 lubricants and related specialties for hundreds of applications in the key automotive, industrial, metalworking, special applications, lubricating greases and services categories.

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

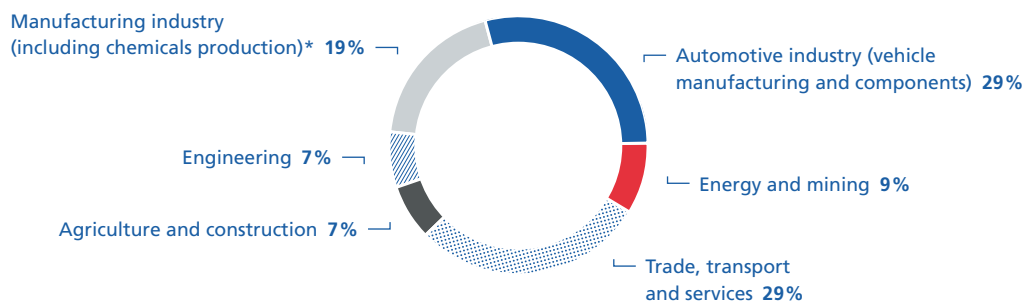
Sales revenues by customer location in 2017



Group sales revenues up €206 million in 2017



Breakdown of group sales revenues by customer sector 2017



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

IMPRINT

Publisher

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Our ongoing growth, new technologies, the increasing complexity of the global markets and the ever more stringent requirements of customers make our business more dynamic. We meet this challenge with passion and see it as an opportunity for further profitable growth.



STEFAN FUCHS | CHAIRMAN OF THE EXECUTIVE BOARD

To our shareholders

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Group companies and
production locations

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Ten-year overview

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1.1 Letter to our shareholders



Stefan Fuchs,
Chairman of the Executive Board

Dear shareholders,

In 2017, we achieved strong organic growth in all three global regions and confirmed with sales revenues of €2.5 billion the record result of the previous year. We continued with our investment initiative for future growth as planned. The strong profitability, solid balance sheet and strong cash flow have motivated the Executive Board and the Supervisory Board to propose the 16th dividend increase in a row: this underlines our confidence for the future.

The 9% organic growth in sales revenues shows that our growth initiative is increasingly taking effect. We have grown substantially in particular in China and the US. Due to increasing raw material costs, that could not be passed on promptly, and changes in the mix, the EBIT increased at a lower rate, by 1% to €373 million.

In a world that is evolving ever faster, we are shaping the future through a large number of global projects. In the IT area we are creating global data homogeneity and developing support programs, for example, for customer relation management and personnel development and programs for easier communication. The many expansion and reconstruction measures in production are taking the Group to a technological and quality level that meets our requirements for the future. We celebrated the opening of the new grease plant in Chicago. It is producing high performance greases as planned. The new plant in Beresfield was inaugurated and production ramped up. The expansion in Kaiserslautern of our LUBRITECH specialty business is almost fully completed. Further pioneering investments were made in China, the US, Mannheim, Poland and South Africa. All of this is managed by our colleagues on site while at the same time day-to-day business in a growth period has to always have priority. For this achievement, our global team deserves my recognition and my utmost gratitude. The change process is supported by our five central values as well as our vision and mission.

We still see enormous potential in our strategy of profitable growth through the internationalization of our many areas of activity and product applications. These include the global management of our key metalworking and industrial business and entering into the automotive aftermarket business in many countries. After the successful expansion of the OEM business in the last ten years, we will continue to push forward the internationalization of LUBRITECH specialties and of the mining business. We will use our global network for local production and support of our customers on site.

The key to success is agility through communication free of hierarchies in global networks with strong regional units close to our customers. This ensures that we take advantage of opportunities presented by topics such as digitalization and e-mobility that bring about structural changes. We have created structures for the rapidly-growing market of e-applications in vehicles to leverage the various challenges to enhance growth. After one year of inoviga GmbH, our think tank for digitalization projects, we identified a large number of initiatives that we intend to implement in the Group. A small piece of the puzzle is the acquisition of FLUID VISION in the US at the beginning of 2018, a specialist in sensor-aided monitoring of water-based metalworking fluids.

We are planning an increase in sales revenues and earnings in 2018. Currencies will erode part of the planned organic growth in sales revenues. We have drawn up a record investment budget again. The core areas for 2018 are China, the US and Germany. We are also monitoring the market and will play an active part in market consolidation – if opportunities arise.

On behalf of the Executive Board, I would like to thank you, the shareholders of FUCHS PETROLUB SE, for your trust in our company, its management and its global team.

I want to express my deepest gratitude to all employees worldwide for their work in 2017.

Mannheim, March 21, 2018

Yours  Fuchs

Stefan Fuchs

Chairman of the Executive Board

1.2 Organization

Corporate Boards → 123 Executive Bodies

Supervisory Board

Dr. Jürgen Hambrecht

Chairman

First appointment: 2011

Mandate ends: 2020

Dr. Dr. h. c. Manfred Fuchs

Deputy Chairman (until May 5, 2017)

Honorary Chairman of the Supervisory Board (since May 5, 2017)

First appointment: 2004

Resignation of the mandate: 2017

Dr. Erhard Schipporeit

Deputy Chairman (since May 5, 2017)

First appointment: 2008

Mandate ends: 2020

Dr. Susanne Fuchs

First appointment: May 5, 2017

Mandate ends: 2020

Horst Münkkel

Employee representative

First appointment: 2009

Mandate ends: 2020

Ingeborg Neumann

First appointment: 2015

Mandate ends: 2020

Lars-Eric Reinert

Employee representative

First appointment: 2008

Mandate ends: 2020

Committees of the Supervisory Board

Personnel Committee

Dr. Jürgen Hambrecht (Chairman)

Dr. Dr. h. c. Manfred Fuchs (until May 5, 2017)

Dr. Susanne Fuchs (since May 5, 2017)

Ingeborg Neumann (until May 5, 2017)

Dr. Erhard Schipporeit (since May 5, 2017)

Audit Committee

Dr. Erhard Schipporeit (Chairman)

Dr. Dr. h. c. Manfred Fuchs (until May 5, 2017)

Dr. Susanne Fuchs (since May 5, 2017)

Ingeborg Neumann

Nomination Committee

Dr. Jürgen Hambrecht (Chairman)

Dr. Dr. h.c. Manfred Fuchs (until May 5, 2017)

Dr. Susanne Fuchs (since May 5, 2017)

Ingeborg Neumann

Dr. Erhard Schipporeit

Executive Board

Stefan Fuchs

Chairman

Region North and South America

Corporate Group Development, Human Resources,

Public Relations

First appointment: 1999

Chairman since 2004

21 years at FUCHS

Dr. Lutz Lindemann

Research & Development, Technology,

Supply Chain Management, Sustainability,

Mining Division, OEM Division

First appointment: 2009

19 years at FUCHS

Dr. Timo Reister

Region Asia-Pacific, Africa

First appointment: 2016

8 years at FUCHS

Dr. Ralph Rheinboldt

Region Europe, LUBRITECH Division, SAP/ERP Systems

First appointment: 2009

19 years at FUCHS

Dagmar Steinert

Finance, Controlling, Investor Relations, Compliance,

Internal Audit, IT, Legal, Taxes

First appointment: 2016

5 years at FUCHS

The Executive Board

» Encouraging and supporting new ways of thinking is an essential part of our company culture.«

DR. TIMO REISTER



» Not being satisfied too quickly, but thinking ahead in an agile and passionate way – that's us.«

DR. RALPH RHEINBOLDT

» Only new ways of thinking shape a stable future.«

DR. LUTZ LINDEMANN

» The world is moving faster and faster.
Agility and new ways of thinking
are important companions for us.«

STEFAN FUCHS, CHAIRMAN



» New ways of thinking open
up all possibilities of the modern
future. It starts on a sheet of
white paper.«

DAGMAR STEINERT

Group Management Committee



Stefan Knapp

■ Germany

Bernhard Biehl

■ LUBRITECH Division

Keith Brewer

■ Region North America

Dr. Ralph Rheinboldt

■ Region Europe

Reiner Schmidt

■ Finance

Dr. Lutz Lindemann

■ CTO



- | | |
|------------------|---|
| Carsten Meyer | ■ OEM Division |
| Stefan Fuchs | ■ CEO, Region North and South America |
| Klaus Hartig | ■ East Asia |
| Alf Untersteller | ■ Middle East & Africa, Mining Division |
| Dagmar Steinert | ■ CFO |
| Dr. Timo Reister | ■ Region Asia Pacific, Africa |

1.3 Report of the Supervisory Board



Dr. Jürgen Hambrecht,
Chairman of the Supervisory Board

Dear Shareholders,

FUCHS PETROLUB's growth strategy was continued successfully in the financial year 2017. A new milestone was achieved with sales revenues of €2.5 billion and, despite higher future investments, the record level in earnings of the previous year was exceeded. The company remains solidly financed.

Work performed by the Executive Board and Supervisory Board

The Supervisory Board performed its advisory and monitoring duties with care and conscientiousness 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 2017. 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 2017 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 comprised an appropriate number of independent members. No conflicts of interest arose among members of either the Executive Board or the Supervisory Board.

Change in the Supervisory Board

Dr. Dr. h.c. Manfred Fuchs resigned as the Deputy Chairman of the Supervisory Board as of the end of the Annual General Meeting on May 5, 2017. Dr. Susanne Fuchs was elected as his successor at the Annual General Meeting. Dr. Erhard Schipporeit became the Deputy Chairman of the Supervisory Board. The Supervisory Board thanked Dr. Dr. h.c. Manfred Fuchs for his outstanding contributions to the company and his 13 years of committed service on the Supervisory Board.

Reports and board meetings

There were six meetings of the Supervisory Board in 2017. The Supervisory Board was regularly, promptly, and comprehensively informed, 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. Further regular areas of consulting were budget monitoring, key investment and acquisition projects and the further development of the Corporate Governance rules. Following thorough 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, 2017, the annual and consolidated financial statements and the combined management report of FUCHS PETROLUB SE, the Executive Board's proposal for the appropriation of profits and the dependent company report were conclusively reviewed, discussed, and approved in the presence of the auditor. In this meeting, the Supervisory Board also approved the agenda for the Annual General Meeting of FUCHS PETROLUB SE and the proposed resolutions. Furthermore, the Supervisory Board informed itself about the company's strategy in detail, focusing in particular on e-mobility, digitalization, marketing and corporate culture.

In the meeting held immediately before the Annual General Meeting on May 5, 2017, the Executive Board reported on the business performance of the Group after the end of the first quarter and the investment and acquisition projects. In the meeting following the Annual General Meeting on May 5, 2017, Dr. Erhard Schipporeit was elected as the new Deputy Chairman of the Supervisory Board, after Dr. Dr. h.c. Manfred Fuchs resigned from his post, and the composition of the committees was reorganized.

In the meeting held on July 19, 2017, the Supervisory Board examined the 2017 half-year financial report together with the accompanying interim Group management report and also informed itself about the status of IT security. The meeting also focused on the detailed reporting and discussion of the development of business in the India and Southeast Asia region.

The Supervisory Board meeting held in Poland at FUCHS OIL CORPORATION (PL) SP Z O.O. on October 11, 2017, examined the report of the Executive Board on the business performance of the Group. Furthermore, there was a detailed status report on the Central and Eastern Europe region, focusing in particular on the Polish Group company.

The key topics of the meeting on December 11, 2017, were the position of the Group, the 2018 budget for earnings, cash flow and investments and the continuation of the growth initiative including acquisitions. In addition, the Supervisory Board dealt with the subjects of opportunity and risk management, compliance, the results of the 2017 internal audits, the 2018 audit plan and the declaration of compliance with the German Corporate Governance Code for the financial year 2017. Furthermore, there was a detailed status report on FUCHS SCHMIERSTOFFE GMBH. The Supervisory Board informed itself on the strategy in the area of greases. The performance factor for calculating the variable remuneration of the members of the Executive Board for the financial year 2017 was defined based on the target achievement determined by the Personnel Committee, and the diversity concept for the composition of the Executive Board and Supervisory Board was discussed. Following the Audit Committee's recommendation, the Supervisory Board decided to propose PricewaterhouseCoopers GmbH as the auditor for the financial year 2018 to the 2018 Annual General Meeting.

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. Apart from one exception, all committee members attended the respective committee meetings.

The **Audit Committee** held four 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 two meetings. The committee focused on the annual and consolidated financial statements alongside the combined management report, the monitoring of the financial accounting process, and the effectiveness of the internal control system, of the risk management system, and of the internal audit system. In 2017, the Audit Committee carried out a selection process for the appointment of an auditor for the FUCHS Group from the financial year 2018 onwards. At the end of this process, the Audit Committee submitted a report and recommended two audit firms to the Supervisory Board as the auditor for the separate and consolidated financial statements of FUCHS PETROLUB SE, and stated a preference for one of its two proposals with its reasons.

Before their publication, the Group's quarterly statements and the half-year financial report were always discussed in detail. In addition, the Audit Committee 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** assists the Supervisory Board in personnel decisions. There were four meetings in the reporting year. In the meeting on March 19, 2017, the Personnel Committee dealt in particular with the individual Executive Board and Supervisory Board remuneration for 2016 and its presentation in the 2016 annual report. It also discussed the new regulations of the Code on the multi-year, forward-looking assessment basis for Executive Board remuneration. This subject was also main topic in the meeting on July 18, 2017. In its meeting on October 11, 2017, the Personnel Committee again dealt with the system of Executive Board remuneration based on an external report and the requirements in accordance with the German Corporate Governance Code and concluded to update the existing remuneration system, which is in conformance with the Code, for 2018 until

2020. In the meeting on December 10, 2017, the Personnel Committee determined the performance factor for the variable remuneration of Executive Board members for 2017 and approved the diversity concept for the Executive Board and Supervisory Board.

The **Nomination Committee** met once in the reporting year. In its meeting on October 11, 2017, the Nomination Committee dealt with risk management in connection with the reappointment of the Supervisory Board and possible succession options for the next scheduled elections of shareholder representatives in 2020.

Overview of members' attendance at each meeting in the financial year 2017

Responsibilities	Members	Attendance/number of meetings
Supervisory Board	Dr. Jürgen Hambrecht (Chairman)	6/6
	Dr. Dr. h.c. Manfred Fuchs (Deputy Chairman until May 5, 2017)	2/2
	Dr. Susanne Fuchs (since May 5, 2017)	4/4
	Horst Münkkel	6/6
	Ingeborg Neumann (financial expert)	6/6
	Lars-Eric Reinert	6/6
	Dr. Erhard Schipporeit (Deputy Chairman since May 5, 2017, financial expert)	6/6
Personnel Committee	Dr. Jürgen Hambrecht (Chairman)	4/4
	Dr. Dr. h.c. Manfred Fuchs	1/1
	Dr. Susanne Fuchs	3/3
	Ingeborg Neumann	1/1
	Dr. Erhard Schipporeit	2/3
Audit Committee	Dr. Erhard Schipporeit (Chairman, financial expert)	4/4
	Dr. Dr. h.c. Manfred Fuchs	2/2
	Dr. Susanne Fuchs	2/2
	Ingeborg Neumann (financial expert)	4/4
Nomination Committee	Dr. Jürgen Hambrecht (Chairman)	1/1
	Dr. Susanne Fuchs	1/1
	Ingeborg Neumann	1/1
	Dr. Erhard Schipporeit	1/1

Audit of annual and consolidated financial statements

As per resolution of the Annual General Meeting of May 5, 2017, the Audit Committee commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the 2017 annual financial statements and consolidated financial statements, including the management report. The auditor submitted and explained his declaration of independence.

The financial statements for the financial year 2017 prepared in accordance with the German Commercial Code (HGB), and the consolidated financial statements of FUCHS PETROLUB SE prepared pursuant to the IFRS international accounting standards to be applied in the EU, and the combined management report were audited and granted an unqualified auditor's opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim. The key areas of the audit defined for the reporting period by the Audit Committee when engaging the auditor were examined in more detail by KPMG. 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 on December 11, 2017. 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 and the proposal for the appropriation of profits. The audit reports of KPMG were submitted to all members of the Supervisory Board in good time and were discussed comprehensively in the Audit Committee meeting on March 14, 2018, as well as in the Supervisory Board's balance sheet meeting on March 20, 2018. The auditor took part in both meetings and 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 based on the final results of the audit by the Audit Committee or our 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 proposal for the appropriation of profits.

For the first time, the Executive Board has submitted a "non-financial declaration" as a separate part of the combined management report for the financial year 2017. The subject of sustainability was discussed intensively by the Audit Committee at its meeting on February 14, 2018, and the Supervisory Board at its meeting on March 20, 2018, in order to obtain an overview of the company-wide sustainability strategy, the concepts being followed and the internal processes and controls. The Supervisory Board questioned the plausibility and usefulness of the "non-financial declaration" in the light of the business model and made suggestions for further development. There are no objections to the reporting of the Executive Board.

The Executive Board reported on its relationship to affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG) and submitted this report to the Supervisory Board. The external auditors examined the report, submitted in writing the results of this examination 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 worldwide and the employee representatives for their dedicated commitment, personal contributions and constructive cooperation for the benefit of the company.

Mannheim, March 20, 2018.

The Supervisory Board



Dr. Jürgen Hambrecht
Chairman of the Supervisory Board

1.4 FUCHS on the capital market

Positive overall development on the German stock markets

In the year 2017, the capital markets continued their positive trend from the last quarter of 2016. In particular, the crucial factors here for Germany were an improved investment climate thanks to the dissolution of economic risks and a better consumer climate thanks to growth in employment and salary increases. In addition, the global economy received a boost from accelerated growth.

The DAX and MDAX tracked sideways at the beginning of the year, and reached their respective lows for the year at 11,510 points in February and 22,194 points in January. In the first half of the year, the DAX and the MDAX initially rose between February and May, before experiencing losses in the middle of the year (DAX) and tracking sideways (MDAX), and then rose again between September and November to highs of 13,479 points and 27,027 points respectively. The DAX and the MDAX closed on December 29, 2017, at 12,918 (11,481) and 26,201 points (22,189) respectively. Compared to the previous year, the German benchmark index therefore rose by 12.5%. The MDAX recorded a performance of 18.1%.

Performance of FUCHS shares

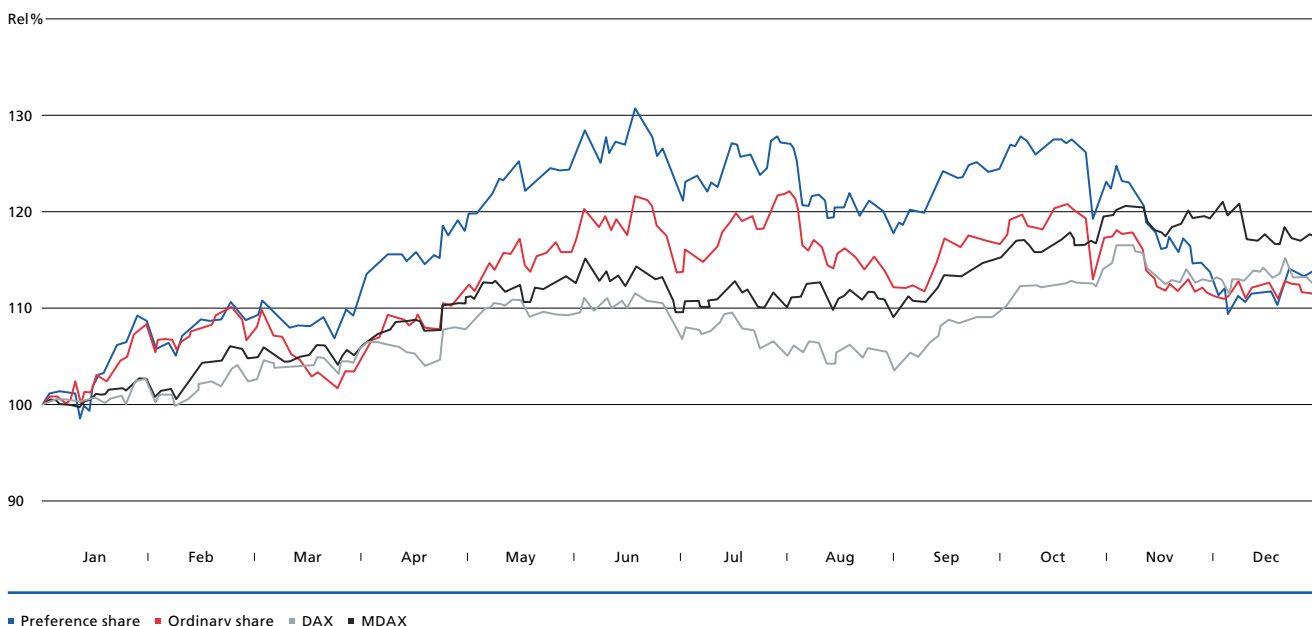
FUCHS PETROLUB SE has issued two share classes: ordinary shares (Security ID No. 579040) and preference shares (Security ID No. 579043).

The state of the economy was also reflected in the performance of FUCHS shares. At the beginning of the year both the preference shares at €39.32 and the ordinary shares at €37.02 reached their lowest level for the year on January 10, 2017. The prices of preference and ordinary shares then outpaced the market until the middle of the year. The preference shares reached their high of €51.57 on June 19, 2017, while the ordinary shares reached their high at €44.51 on July 31, 2017. After a brief set back due to an analyst's sell recommendation in August, both FUCHS share classes recovered by the end of October 2017. FUCHS shares came under significant pressure in November. In particular, the reason for the decline in prices was the adjustment of the earnings forecast for the full year 2017 due to the delay in passing on higher raw material prices.

The ordinary shares closed at €40.37 (36.95) in XETRA trading on December 29, 2017, up 9.3% on the price at the end of 2016. The preference shares ended the year at €44.25 (39.88) on December 29, 2017, which corresponds to an increase of 11.0% in the financial year 2017. Assuming a reinvestment of the dividend paid, the return was 11.6% for ordinary shares and 13.0% for preference shares in 2017 as a whole. In general the price of the preference shares is more volatile than that of the ordinary shares as they have a larger free float, are listed on the MDAX and are the more liquid of the share classes.

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

(January 1 – December 31, 2017)



* Price trend including dividends.

FUCHS shares represented in key indices

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

Since 2008, the FUCHS preference shares have been listed on the MDAX, the second largest German stock index, which comprises 50 companies. At the end of 2017, the market capitalization of the preference shares was €3.1 billion (2.8), which put FUCHS in 25th (22) position in the MDAX. FUCHS' weighting on the MDAX was therefore 1.48% (1.62). The international significance of the FUCHS preference shares is reflected by the fact that they are included in the STOXX Europe 600, which lists the 600 largest companies from 17 European countries.

Trading volume of FUCHS shares

FUCHS PETROLUB SE shares are primarily traded on the XETRA platform, though they are also traded on all regional German stock exchanges. The trading volume (XETRA and Frankfurt) of ordinary shares averaged 34,459 shares per day (29,918). The average daily turnover of the ordinary shares was around €1.4 million (1.0) in the financial year 2017.

The significantly more liquid preference shares had an average daily trading volume (XETRA and Frankfurt) of 154,834 shares per day (170,288) in 2017. This means that €7.2 million (6.5) were traded each trading day on the stock exchanges in the financial year 2017. FUCHS was therefore ranked 41st (37) on the MDAX in terms of trading volume (turnover of the past twelve months).

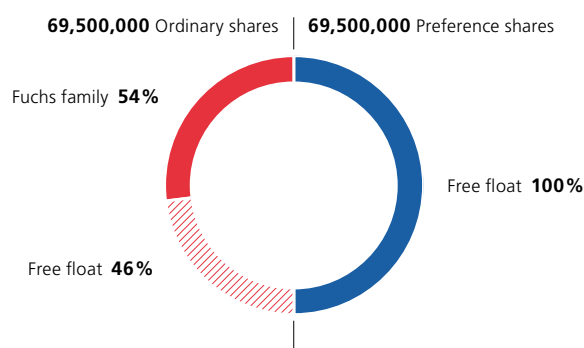
Shareholder structure

The issued capital of FUCHS PETROLUB SE 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. Each ordinary share grants one vote at the Annual General Meeting.

The Fuchs Family holds 54% of the ordinary shares as at the end of the 2017 reporting period. 46% are in free float. The non-voting preference shares are entirely in free float.

Due to the legal form of the shares (bearer shares), FUCHS does not have a share register, as would be the case, for example, for registered shares. The notification requirements of Sections 33 et seq. of the German Securities Trading Act (WpHG) relate exclusively to shares with voting rights, and thereby do not affect the preference shares which do not confer voting rights. This report therefore does not contain any detailed information regarding the shareholder structure of FUCHS preference shares.

Shareholder structure as at December 31, 2017



Voting rights disclosures

In May 2017, Mawer Investment Ltd., Canada, informed us that it has exceeded the 3% threshold of voting rights in FUCHS PETROLUB SE on May 12, 2017, and now holds 3.01% of the voting rights. Furthermore, there was still a voting right disclosure from DWS Investment, Germany, dated December 15, 2003, stating that it holds 5.2% of ordinary shares. In January 2018, a further notification of voting rights was received from Mawer Investment Ltd., Canada. It exceeded the 5% threshold on January 16, 2018 with 5.02% of voting rights.

→ www.fuchs.com/votingrightsannouncements

Annual General Meeting 2017

FUCHS PETROLUB SE's Annual General Meeting took place in Mannheim on May 5, 2017. 77.61% of the share capital secured by ordinary shares and 4.23% 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 €0.88 (0.81) per ordinary share and €0.89 (0.82) per preference share. A total of €123 million (113) was therefore distributed to the shareholders of FUCHS. This represents a payout ratio of 47% (48) 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 online at

→ www.fuchs.com/annualmeeting

Analysts

The FUCHS Group was monitored by 16 analysts from different institutions as of the end of 2017:

- Baader Bank
- Bankhaus Lampe
- Berenberg Bank
- Commerzbank
- Deutsche Bank
- DZ Bank
- equinet Bank
- Hauck & Aufhäuser
- Independent Research
- Kepler Cheuvreux
- LBBW
- MainFirst
- Metzler Equity Research
- NordLB
- UBS
- Warburg Research

The Investor Relations section of the FUCHS website provides detailed information on current analyst recommendations and estimates. → www.fuchs.com/analysts

Intensive capital market dialog

Open and continuous communication with the capital market is of great importance to FUCHS. We therefore engage in an intensive dialog with institutional investors, financial analysts and private shareholders. We have further extended our capital market communication in 2017.

Institutional investors and financial analysts had the opportunity to talk face-to-face with the Chairman of the Executive Board, the Chief Financial Officer and the Investor Relations team at 12 conferences and 17 roadshow days in Europe and North America, where they were also provided with information on the business strategy and the current market environment. Furthermore, a number of one-on-one talks were held on FUCHS premises in addition to conference calls. Other fixed dates in the Investor Relations calendar included the Analysts' Conferences on the respective publication dates. The business and financial press were kept up-to-date at all times by conferences and press releases.

Private investors were able to contact the Investor Relations team by phone, letter or e-mail with their questions. The Annual General Meeting also offers an opportunity for a lively exchange of ideas with the company's representatives.

The FUCHS 2016 Annual Report entitled "In Motion" won awards in numerous international competitions in 2017. It was awarded Gold by FOX FINANCE, took Bronze in the LACP Vision Award and the Annual Report Competition (ARC) Award, and received the GOOD DESIGN Award for outstanding design.

Service for shareholders

Shareholders and interested parties can register for the FUCHS Group's investor mailing list at → www.fuchs.com/ir-orderform. They will then automatically receive information about current developments at the Group and all regular publications by e-mail.

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 at → www.fuchs.com/group/investor-relations

Employee shares

FUCHS has been offering employees at its German companies ordinary shares at preferential conditions since 1985. In 2017, each employee had the opportunity to purchase a maximum of 25 shares with a discount of €6.00 per share. 534 employees (537) 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 €0.90 (0.88) per ordinary share and €0.91 (0.89) per preference share to the Annual General Meeting on May 8, 2018. With a total dividend of €126 million, this represents a distribution ratio of 47 %. This proposal is in line with our policy of a steadily rising or at least stable dividend.

Key figures for FUCHS shares

	December 31, 2017		December 31, 2016	
	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 €) (2017: Proposal)	0.90	0.91	0.88	0.89
Dividend yield (in %)¹	2.2	2.0	2.6	2.3
Earnings per share (in €)²	1.93	1.94	1.86	1.87
Gross cash flow per share (in €)³	2.28	2.28	2.14	2.14
Carrying amount per share (in €)⁴	9.39	9.39	8.66	8.66
XETRA closing price (in €)	40.37	44.25	36.95	39.88
XETRA highest price (in €)	44.51	51.57	37.61	43.11
XETRA lowest price (in €)	37.02	39.32	29.90	33.29
XETRA average price (in €)	41.27	46.62	34.37	38.37
XETRA and Frankfurt average daily turnover (in € thousand)	1,422	7,218	1,028	6,535
Market capitalization (in € million)⁵	5,881		5,340	
Price-to-earnings ratio	21.4	24.1	18.5	20.5

¹ Dividend/average share price x 100.

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

³ Gross cash flow/number of shares.

⁴ Equity of FUCHS PETROLUB SE shareholders/number of shares.

⁵ Stock exchange values at the end of the year.



Combined Management Report



Sales revenues
+9% to
€2.5 billion

€373 million

EBIT at previous year's level

FUCHS Value Added
at €250 million

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, previous year figures have been adjusted if necessary.

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 more than 480 (around 10%) of the employees in research and development work on optimal solutions for our customers. Their special skills and abilities are efficiently interconnected in our global network of experts.

The goal is to defend and expand our technology leadership in key business areas and to take a leading role at an early stage in changes taking place on the market in the lubricants sector. The efficiency, reliability, safety and sustainability of the lubricants along the process and value chain play a major role in this.

PEOPLE. Personal commitment

More than 5,000 highly qualified and specialized employees worldwide are committed to satisfying our customers. Intensive dialog with our customers and business partners based on trusting collaboration is what enables us to always find the optimal, bespoke lubricant solution to meet the individual requirements of our customers.

Global customer care through internationality and scale

FUCHS can be found wherever its customers are. A strong European market position and an extensive product portfolio form the basis for business success. With 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 potential of developing markets. At the end of the

reporting period out of 58 operating companies in total, 32 were active in Europe, six on the American continent and 20 in the region Asia-Pacific, Africa. FUCHS supports key customers on new markets, while at the same time serving local customers with bespoke solutions. 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 Switzerland, 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 and 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 and research and development activities are joined to a large degree in addition to the local presence.

Group strategy

Increase of company value

FUCHS PETROLUB 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 represents another factor of strategic importance. The basis of this independence is a stable financial situation, which is also an important factor when considering potential acquisitions and examining the dividend policy, as well as the Fuchs family as an anchor shareholder. Our independence enables us to focus on lubricants and related specialties in an efficient environment, while providing scope to further increase company value.

Controlling system

The Executive Board manages FUCHS PETROLUB 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 PETROLUB, but are also used for general communication with all stakeholders. The following section describes the most important financial 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 of the FVA calculation and is thereby a target factor in variable compensation for management and the Executive Board.

Liquidity

FUCHS PETROLUB 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 a central key performance indicator

FVA, which is based on earnings and capital employed, is the central KPI for management. EBIT is a relevant profit indicator and 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 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 x 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 counter-measures introduced.

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 at locations abroad were significantly expanded. There are currently 487 (447) employees working on approximately 580 projects all over the world. Research and development expenses increased to €47 million (44) in 2017.

We will see major changes in the automotive sector in the world of the drivetrain in the next few years. FUCHS has created structures to tackle the new challenges. Working groups around the world integrate the requirements of e-mobility into research and development and supplement the research portfolio with the new skills required.

Further fundamental changes arise from digitalization, for example through sensor technology, big data methods or the integration of digital methods into new business models. FUCHS is focusing on the development of new sensor technologies in research partnerships. The goal is to make lubricant a “talking” component of digital networks. In addition to condition monitoring, this enables forward-looking maintenance and servicing with the integration of upstream and downstream processes.

FUCHS is well on its way to setting new standards with its research and development work in other sectors, too. One example of this

is the metalworking sector. New, promising and environmentally friendly cooling lubricants no longer require ingredients such as boric acid, formaldehyde depots (FAD), dicyclohexylamine (DCHA) and 2-aminoethanol (MEA). Our development departments have developed a new generation of high-performance cooling lubricants that do not require these ingredients and meet or exceed all legal requirements under discussion in line with current standards.

We also meet the challenges in the wet processing of carbon fiber reinforced plastics (CFRP) and glass reinforced plastics (GRP). The use of components made of fiber composite materials such as CFRP and GRP is becoming increasingly important in automotive and aircraft construction, as they are around 30% lighter than aluminum alloys. The embedded fibers give the material the necessary strength and stability. Many structural components for aircrafts are now made from these lightweight materials, replacing a whole range of metallic materials that was previously used. They are used in components that are exposed to high stresses and that need to stay in use for a long time. Also, the low maintenance requirements of CFRP and GRP compared to metals are another advantage.

In the next few years a rethinking will be necessary when working with these materials. CFRP and GRP are currently mainly cut dry or with minimum quantity lubrication, primarily to avoid delamination, and therefore the destruction of the component. A major disadvantage of these methods is long processing times and high tool wear.

In cooperation with its industrial partners, FUCHS has developed the latest generation of water-miscible high-performance cooling lubricant. ECOCOOL GLOBAL S 240 is a fully synthetic, water-miscible cooling lubricant, free from boron and formaldehyde. It is predestined for wet machining of CFRP and GRP, in addition to metal/composite hybrids, also known as STACKS. This allows the efficient processing of CFRP and GRP, as proved by excellent tool life and optimal process parameters. At the same time, it avoids the delamination of CFRP and GRP and limits the reprocessing of cut edges.

These examples show how FUCHS is also defending its excellent market position with new materials.

Employees

The global workforce grew again in 2017, and exceeded the number of 5,000 employees for the first time. The total headcount has therefore risen by around 1,300 employees since 2007. We are constantly adapting our organizational and communication structures to the challenges posed by this growth. 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.

Leadership principles

The leadership process itself is being changed by the global function-based networks that we are promoting and extending. Improving communication across all hierarchies is a key requirement for making these networks successful and efficient. Explicit leadership principles were developed to supplement the five values of our mission statement and support their daily implementation. The idea of sharing expertise globally is only possible if there is a common understanding of values and leadership.

Digitalization in the workplace

Like many others, our company is facing global changes in the political, social and technical environment. Digitalization and automation are just two of the keywords that demand our attention as regards to our employees as well. As part of a global initiative and at the same time keeping in line with the requirements of data privacy, we have begun to digitalize all HR processes to ensure that every employee has easy access to HR data and services, and to assist executives in the leadership process. Efficient global cooperation through digital media and digital learning are just as much on our agenda as home/remote office and full working hour flexibility.

We are working to promote organizational expertise, language skills, intercultural flexibility and leadership through a range of measures.

Standardization of the working environment with global IT tools is just as important as cooperation “without borders”. Local and national leadership training plays a part in this.

Increased headcount

The FUCHS Group had 5,190 employees as at December 31, 2017, 130 of whom as trainees (5,031 with 133 trainees). The total workforce therefore increased by 159 or 3% year-on-year.

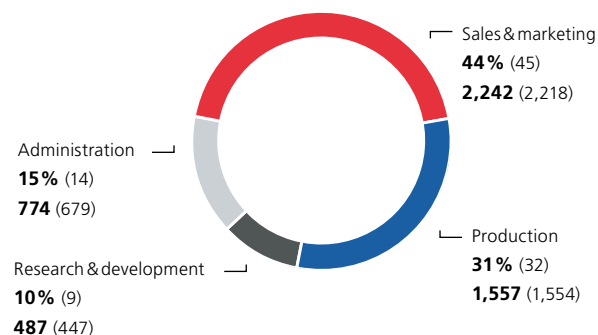
Geographical workforce structure

	Dec 31, 2017	in %	Dec 31, 2016	in %
Germany	1,516	29	1,503	30
Other European countries	1,942	37	1,854	37
Asia-Pacific, Africa	1,085	21	1,062	21
North and South America	647	13	612	12
Total	5,190	100	5,031	100

The number of employees in the region Europe rose by 101 (3%), while the region Asia Pacific, Africa added 23 (2%) new employees. In North and South America, the number of employees grew by 35 (6%) as against December 31, 2016.

Functional workforce structure*

Figures for 2017 (2016)



*Excluding 130 (133) trainees.

Further strengthening of the employer brand

The FUCHS' employer brand was fundamentally revised in 2017. The new employer branding concept will be unveiled for the first time in spring 2018. The global HR network has worked intensively on the redesigning the image as a global employer, ensuring that regional requirements have been taken into account while still achieving a uniform global appearance.

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 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. From 2018, we will regularly train employees there in technical-chemical professions to meet our demands for junior staff locally, and to provide high-quality support for the subsidiary's growth. For this theoretical and practical training deployments for these employees at our German companies are also planned.

Attracting **qualified specialists** is still a particular challenge on all labor markets, and especially in Russia, India, China and the US. We have therefore made further progress in the development and standardization of the recruitment process. Recruitment was again an important issue at the global HR Network Meeting in October 2017. 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. The regional HR functions in the Nordic countries, in Central and Eastern Europe, the Middle East, Southeast Asia and the Americas, some of which are new, 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.

Training

79 young people at our German subsidiaries were taking part in dual training programs as at December 31, 2017. 19 trainees completed their training in the reporting year.

We provide training in eight 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 institutes and DHBW courses, we also offer study-related internships at our subsidiaries in Germany and abroad. Last year, internships were arranged at our subsidiaries in countries including the US, Canada and Australia. At the same time, interns from the rest of the world increasingly came to Mannheim to gather practical experience. 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.

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 therefore 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 flex-time 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.

Occupational health management naturally comprises courses on how to handle heavy loads, skin protection and workstation ergonomics. Furthermore, at the Mannheim site, for example regular programs for the early detection of colon cancer, addiction prevention and healthy eating are offered. We support initiatives established by employees to take part in sporting activities together as well as cooperations with fitness studios.

Staff development

Alongside vocational training, 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. In 2017 we prepared a new digital learning platform that will go online in the first half of 2018 and then gradually be made accessible to all employees. In addition to basic technical subjects relating to lubricants, there will also be online language courses, e-learning on methods and IT tools as well as the specific sharing of internal FUCHS knowledge.

Classic classroom training will continue to be offered by FUCHS ACADEMY in future as well. As a global training institution, the FUCHS ACADEMY regularly offers seminars on a wide range of technical subjects and provides our sales experts, for instance, with a sound background knowledge of our products and their applications. The FUCHS ACADEMY is also a very popular learn-

ing 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. This is available not just to specialists and managers being seconded to FUCHS subsidiaries, but also to students on dual training and interns.

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

We consider mixed management teams to be an effective way of significantly strengthening our company. For this reason, we also place particular emphasis on the dedicated support of women and ensure that appropriate consideration is given to them when filling management positions in the company. Women currently account for 25% of the total workforce. The share of women in management positions slightly increased to 22% (20).

Social indicators *

	2017	2016 ¹	2015 ¹	2014 ¹
Average age of employees in years	43	43	43	43
Age structure of employees in %				
< 30 years	16	14	14	15
31 to 40 years	28	29	28	27
41 to 50 years	28	28	30	30
> 50 years	28	29	28	28
Average length of service of employees in years	10	10	11	11
Employee fluctuation ² in %	4.1	3.6	3.6	4.1
Work-related accidents ³ per 1,000 employees	16	13	16	16
Days lost due to sickness per employee	7	7	8	7
Proportion of women in management positions in %	22	20	20	20
Average further training and education per employee in hours	15	17	19	18

* Not audited by the auditor.

¹ FUCHS production locations (representativeness: 90%).

² Share of employees leaving the company voluntarily.

³ Number of accidents with more than three absence days.

Ecological sustainability *

FUCHS' sustainability management comprises the three sustainability dimensions economy, ecology and society.

To us, ecological sustainability means measuring and, wherever possible, improving the company's ecological "Footprint", i.e. its impact on the environment and resources used in connection with extracting and sourcing raw materials by our suppliers, processing and blending in our lubricant plants, the delivery of the finished lubricants to our customers and the ultimate disposal of these products. However, ecological sustainability also refers to our ecological "FUCHS print". Here we seek to quantify and, where possible, increase the positive effects achieved by our customers during the use phase of our lubricant products by reducing friction, wear and corrosion.

The FUCHS production sites are located in designated industrial and commercial areas, and are planned and run 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 refiner 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 minimize or further decrease the energy and water consumption, the waste generation during production and the reduction of CO₂ emissions.

One aspect of sustainability management is the certification of our environmental management system in accordance with the relevant ISO standards. As of the end of 2017:

- 60% 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 goal is to increase the share of production locations in the FUCHS Group certified according to ISO 14001 to more than 80% in the next two years.

The Alliance for Greater Resource Efficiency awarded the new test facility at FUCHS SCHMIERSTOFFE GMBH's Mannheim location in 2017 for comprehensive energy and CO₂ saving measures. The new building was specifically designed for sustainable future operation, i.e. its energy footprint. High-temperature condensate, a waste product from nearby production, is used to heat the new building and to keep an adjacent warehouse free from frost, and allows a significant reduction in CO₂ emissions. Its subsequent use as feed water for the cooling tower and adiabatic cooling also reduces the need for treated water.

Extracting and sourcing raw materials

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.

Our goal is therefore to contribute to the continuous improvement of ecological sustainability in the value chain through cooperation with strategic suppliers. That not only applies in relation to resource efficiency and environmental standards, but also to increase the amount of environmentally friendly raw materials in our own production processes.

For this reason, for the first time in the financial year 2017, the centrally managed FUCHS suppliers were assessed in the annual global supplier evaluation, including the carbon footprint of the raw materials supplied to us, and were asked about possible reduction targets. As a result, this supplier evaluation led to the establishment of 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 is that switching from a qualitative to a quantitative assessment of environmental sustainability will lead to significant progress in terms of environmental performance, and this categorization will be a future specification for FUCHS lubricants.

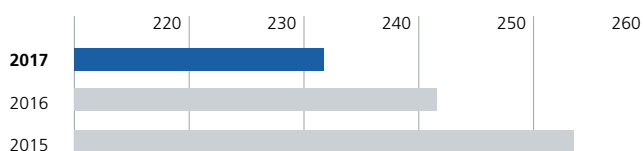
* Not audited by the auditor.

Processing and refinement of the raw materials and the manufacturing of lubricants

In 2013, the management of FUCHS' major production locations, which account for around 90% of overall production, had set annual quantifiable reduction targets regarding energy and water consumption in addition to waste generation in lubricant production by 2016. These reduction targets were only partially achieved. This was because of portfolio shifts, which changed the consumption profile.

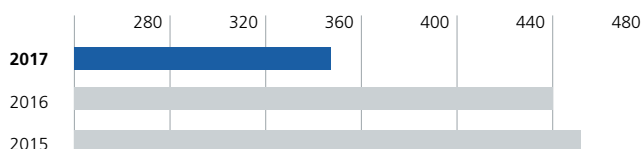
First we intend to gain better ecological understanding of production processes specific to the portfolio and resource consumption at our locations, and to identify possibilities for process optimization and resource efficiency. FUCHS will therefore no longer be setting quantifiable reduction targets for its ecological sustainability indicators. Since 2015 we have continuously reduced energy and water consumption, waste generation and energy consumption related CO₂ emissions per ton of lubricant produced.

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



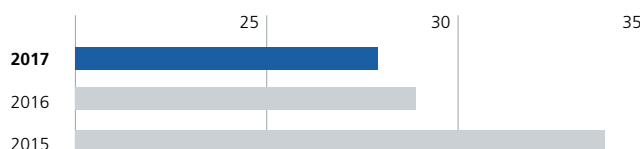
Basis: FUCHS production locations.

Development of water consumption (in liter per ton produced)



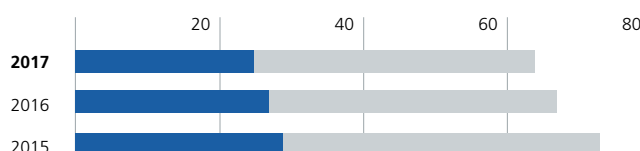
Basis: FUCHS production locations.

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.

Operational phase of lubricants

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 life cycle assessment and, in addition to performance and price, can become an additional differentiating characteristic and thus a competitive advantage for FUCHS.

2.2 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 of the combined management report are additional notes and are not part of the non-financial statement.

FUCHS has set up objectives, concepts, measures and due diligence processes for environmental, employee and social concerns in addition to respecting human rights and combating corruption and bribery. 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 partially based on the German Sustainability Code (DNK).

FUCHS PETROLUB 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. At FUCHS PETROLUB we are committed to conducting business fairly and transparently. Our activities are established on the rule of law in all countries in which we operate. 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 our responsible conduct. The two core elements mission statement and canon of values enable the organization to act target-oriented within an open corporate culture.

To ensure our future viability, sustainability is firmly established in our values. Taking social and ecological responsibility is part of our corporate self-image. We therefore see the three sustainability dimensions of economy, ecology and society as core elements of good corporate governance. To us, sustainability also means constantly evolving and optimizing. We respect human rights and support the fight against corruption and bribery. Our actions are geared towards our 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 includes any severe repercussions on the aspects explained in this declaration. As far as corresponding risks exist, they are presented in our opportunity and risk report. → [49 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. We have 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 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 socially 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, are key components of the CMS. The CMS is presented in the Corporate Governance section.

→ [62 Corporate Governance](#)

Environmental concerns

Sustainable business, which also comprises consideration of the environment and careful use of its natural resources with the aim of guaranteeing living standards for future generations, is a top priority for FUCHS PETROLUB. We particularly pay attention the responsible use of energy, water and raw materials.

→ www.fuchs.com/sustainabilityreport

Employee concerns

Work safety is of great importance to FUCHS. We are 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 our activities. 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.

30% of the production locations were certified according to the OHSAS 18001 Occupational Health and Safety Management System at the end of 2017. Our goal is to double the amount of production locations in the FUCHS Group certified according to OHSAS in the next two years.

To us, 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 of forced and child labor and the prohibition of discrimination in employment and occupation. Within the framework of the respective statutory provisions, FUCHS PETROLUB 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. Discrimination is not tolerated in the FUCHS Group.

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. Further information can be found in the Employees section. → [28 Employees](#)

Social concerns

Social acceptance is a key requirement for economic success. Many of our companies have deep roots in their regions. We see ourselves as a partner in these regions, and we take part in educational and cultural initiatives and cooperations. We also support a number of social projects and charitable organizations. Further information can be found in the sustainability report.

→ www.fuchs.com/sustainabilityreport

Human rights

FUCHS PETROLUB respects human rights and supports their observance. By signing the Modern Slavery Act Statement in the UK, FUCHS has undertaken steps to prevent the criminal exploitation of human labor worldwide too, 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.

Combating corruption and bribery

When in competition with other market participants, FUCHS PETROLUB relies on the quality and intrinsic value of its products and services. Clear and compulsory policies, business processes and internal controls specify how to handle corruption. We have no intention to influence business partners or officials through corruption, and do not intend to be influenced by corruption ourselves. Further information can be found in the Corporate Governance section. → [62 Corporate Governance](#)

Supply chain

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 material portfolio ensures that the products currently on the market are always available with consistent quality.

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.

Within the scope of central procurement management, FUCHS calls on its suppliers to provide a written confirmation of their commitment to compliance with the corporate ethical requirements and minimum social standards of the FUCHS sustainability guideline or to present their own similar compliance guidelines.

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 each year on the basis of the five criteria of business relations, pricing, technical aspects, quality, and order and delivery management. Sustainability aspects were added to these criteria in the financial year 2017.

In the event of any deficits in the fulfillment of these criteria, suppliers are issued with specific action plans and implementation deadlines. Further information can be found in the sustainability report. → www.fuchs.com/sustainabilityreport

2.3 Macroeconomic and sector-specific conditions

Development in 2017 and forecast for 2018*

Significantly accelerated growth in the global economy

Development of gross domestic product

in %	Forecast 2017	Actual 2017	Forecast 2018
Germany	1.5	2.5	2.3
Eurozone	1.6	2.4	2.2
USA	2.3	2.3	2.7
China	6.5	6.8	6.6
Highly developed countries	1.9	2.3	2.3
Developing and emerging countries	4.5	4.7	4.9
World	3.4	3.7	3.9

Source: International Monetary Fund (IMF)

- Strong global economic growth of 3.7 % (3.1) in 2017; further increase to 3.9% expected for 2018.
- Growth in 2017 better than forecast both in the industrialized countries as well as in most developing and emerging countries thanks to mutual economic stimulation.
- Economic recovery in the euro area stronger than estimated; gross domestic product has grown in all countries, thanks to private consumption, buoyant construction activity and increasing corporate investment.
- Contrary to forecasts China's growth did not slow down; impetus came from the global economy and expansive measures by the government.
- Growth in the US was ultimately in line with forecasts; after a slow start the upturn took hold following a recovery in industrial production and thus investment.

Massive overcapacity continues in the steel industry despite substantially increased volumes

Development of crude steel production

in %	Forecast 2017	Actual 2017	Forecast 2018
Germany	1.0	3.5	0.6
EU	0.9	4.1	1.4
Asia	0.2	5.4	1.1
North America	3.0	4.8	1.2
World	0.6	5.3	1.6

Sources: WSA, WV Stahl

Growth in the steel industry was significantly stronger than predicted thanks to an economic tailwind from the construction industry and industrial customers. Crude steel production increased worldwide and in all key regions. At the same time the steel producers used the higher demand to utilize their capacities better. Although utilization worldwide improved slightly to 69.5% at the end of the year, the rise was not sufficient to reduce the massive overcapacities.

The steel industry's prospects remain gloomy in this environment. The German Steel Trade Association (WV Stahl) quantifies the overcapacity at more than 700 million tons, which equates to more than 40% of overall crude steel production. China alone accounts for around 49% of production. For many years the country's cheap exports have put a strain on manufacturers in other regions, which react by consolidating and closing plants. According to forecasts from the World Steel Association (WSA), global demand for crude steel will experience very moderate growth in 2018. This also signals weak production growth and further tightening of the market situation.

Engineering recovers again following long dry spell

Development of engineering sales revenues

in %	Forecast 2017	Actual 2017	Forecast 2018
Germany	1.0	3.0	3.0
Eurozone	1.0	4.0	3.0
China	3.0	8.0	6.0
USA	3.0	3.0	2.0
World	2.0	6.0	4.0

Source: VDMA

According to preliminary estimates by the German Engineering Industry Association (VDMA), global engineering sales revenues grew significantly again for the first time in 2017 and more strongly than forecasted following a long period of stagnation. Corporate investment also recovered appreciably as a result of improved industrial activity. China benefited from disproportionately high sales revenues growth. The US engineering sector continued to see robust growth. However, sales revenues also climbed encouragingly in Europe and Germany. According to the VDMA, mechanical engineering companies in Germany boosted production by 3.0% in real terms.

The VDMA expects global growth in engineering to continue and forecasts a sharp rise in sales revenues from engineering on a broad regional basis. This will be driven by increasing capacity

* Forecast data for 2017 as at February 2017, other data as at February 9, 2018.

utilization in industry and digitalization. However, the rate of expansion in 2018 will level off slightly compared to the leap in sales revenues in the reporting year. The VDMA anticipates continuing strong growth in the German engineering sector. The rapid rate of sector sales revenues growth is set to continue. The VDMA assumes that production in the German engineering sector will ramp up by a further 3.0% in real terms in 2018.

Modest rise in global car production

The global upturn in the automotive industry continued in 2017. The increase in production exceeded sector experts' original forecasts. Europe posted strong growth as a result of the economic recovery, while car production in China rose only moderately after the growth surge of the previous year. Production in North America declined due to subdued demand in the US. Car production decreased by 2.0% in Germany. By contrast, German manufacturers increased production in foreign locations by 7.0%.

Despite the positive economic environment global car production is expected to grow only moderately in 2018, with growth in Europe slowing and the flat growth rate of car production in China continuing. However, production in North America is rising thanks to stronger impetus from the US and the weak dollar. The German Association of the Automotive Industry (VDA) expects domestic car production in Germany to remain stable at the previous year's level. German manufacturers will expand foreign production by a further 3.0%.

Development of car production

in %	Forecast 2017	Actual 2017	Forecast 2018
Germany	0.0	-2.0	0.0
Europe	1.5	3.5	1.7
China	2.6	1.0	1.2
North America	-2.7	-3.6	2.0
World	1.6	2.1	1.6

Sources: VDA, IHS Markit Automotive

Brake on growth in the global chemical industry

Global chemicals production increased by 3.0% in 2017, which did not meet expectations or keep pace with global industrial production (+3.6%). This was caused, in particular, by the weakness of petrochemicals. Chemical output in China rose more significantly than in other key regions, albeit at a decreasing rate, while chemical production in the US showed little growth once

again. Although it recovered in the EU and Germany, it also fell slightly below the level of growth in industrial production.

The prospects of the global chemical industry remain modest in 2018, although the German Chemical Industry Association (VCI) expects production to increase at a slightly accelerated rate. The basic chemicals sector is expected to develop at a very moderate rate. China remains a driving force in the industry, despite experiencing a less pronounced rise parallel to flatter GDP growth in the future. In the US, chemicals production is set to climb again overall in 2018, while the VCI expects the industry to see moderate growth at the current year's level for the EU.

Development of chemical production

in %	Forecast 2017	Actual 2017	Forecast 2018
Germany	0.5	2.5	2.0
EU	0.5	2.5	2.5
China	6.5	6.0	5.5
USA	2.0	0.5	2.0
World	3.5	3.0	3.3

Source: VCI, Cefic

Global demand for lubricants after 10 years for the first time again above pre-crisis level/ Europe and Asia-Pacific as drivers

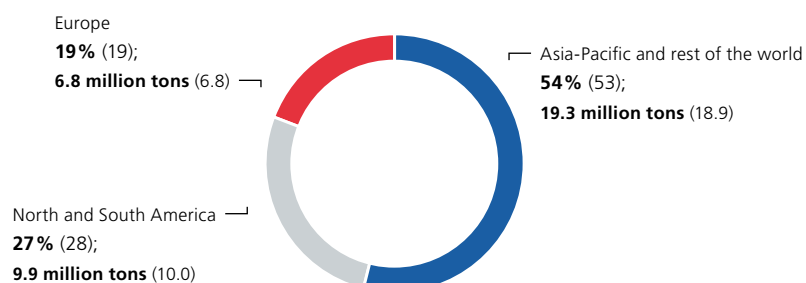
According to our market analyses, global demand for lubricants increased again in the year under review (+1.0%). At 36.1 million tons, demand was again above the level before the 2007/2008 economic crisis for the first time. As in the previous year, lubricant consumption in Germany fell slightly. Nevertheless, Europe grew due to increased demand on the Iberian Peninsula (> 5%). Demand in North America stagnated in 2017. Consumption in Asia Pacific increased strongly in both the mature markets of Japan and South Korea, as well as in the emerging economies of China and India.

Development of lubricant demand

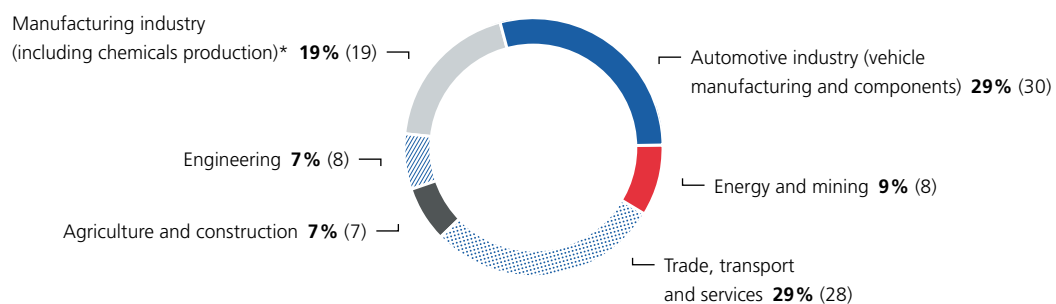
in %	Forecast 2017	Actual 2017	Forecast 2018
Europe	0.0	1.0	0.5
Asia-Pacific	0.3	2.8	2.0
North America	0.5	-0.1	0.5
World	0.3	1.0	1.0

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.

2.4 Business development in 2017 – forecast comparison

FUCHS PETROLUB did not fully achieve its targets in the financial year 2017.

The most important key performance indicators are detailed below:

- Sales revenues rose by €206 million or 9.1 % to €2,473 million.
- EBIT increased by 0.5 % to €373 million.
- FVA remained with €250 million 2.7 % below the previous year's level.
- Free cash flow before acquisitions was €142 million (205).

Forecasts from the start of the year were regularly reviewed over the course of the year and amended where necessary.

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

The Group achieved stronger organic growth in all regions as forecasted at the start of the year. The growth was primarily driven by volume, as expected. As predicted, external growth was based on two smaller acquisitions concluded in North America in the previous year and was comparatively low. The currency translation effect, for which we do not provide a forecast due to a lack of reliable data, was also minor.

In our forecast for 2017 we indicated that EBIT development can be influenced by anticipated increases in raw material prices and a time lag before they are passed on. Over the course of 2017 shortages of some base oils led to sharp increases in raw material prices that proved unexpectedly difficult to pass on. The gross margin suffered as a result, causing EBIT growth to fall below the range originally forecast. In line with expectations, EBIT development in Asia-Pacific, Africa and North and South America was better than in Europe.

As planned, investments, primarily in property, plant and equipment, reached a record level. NOWC also rose more sharply than expected as a result of the strong growth in sales revenues and the marked increase in intercompany business due to long transport routes and high safety stocks. For this reason, the rise in capital employed also exceeded expectations at +8%.

The FVA forecast was not met owing to the low level of EBIT growth (+0.5%). FVA decreased by 2.7 % while WACC remained unchanged (10%).

Comparison actual – forecasted business development

Performance indicator	Forecast 2017	Target achievement in 2017	Evaluation
Sales revenues			
	4% to 6%	9.1 %	Forecast exceeded
Particularly organic + external growth	As of August 1, 2017: 7% to 10%	9.1 %	Forecast met
	1% to 5%	0.5 %	Forecast not met
EBIT	As of October 23, 2017: just under/on a par with the previous year (€371 million)	€373 million	Forecast met
	Increase in the low single-digit percentage range	–2.7 %	Forecast not met
FVA	As of October 23, 2017: slightly below previous year	–2.7 %	Forecast not met
	Around €200 million	€142 million	Forecast not met
Free cash flow before acquisitions	As of October 23, 2017: not over €150 million	€142 million	Forecast met

2.5 Group performance and results

Sales revenues (performance)

Regional development of sales revenues by company location

in € million	2017	2016	Organic growth	External growth	Currency translation effects	Total change absolute	Total change in %
Europe	1,515	1,417	101	–	–3	98	6.9
Asia-Pacific, Africa	733	620	122	–	–9	113	18.2
North and South America	393	349	33	17	–6	44	12.6
Consolidation	–168	–119	–50	–	1	–49	–
Total	2,473	2,267	206	17	–17	206	9.1

Strong organic growth in sales revenues

In 2017, FUCHS PETROLUB increased sales revenues by 9.1% or €206 million to €2,473 million (2,267). This growth was driven by volume, in particular, and largely realized organically. Translation effects had a slightly positive influence on the development of sales revenues in the first half of the year; the strength of the euro increased over the course of the year, which had a slightly negative effect on the year as a whole.

Growth factors

	in € million	in %
Organic growth	206	9.1
External growth	17	0.8
Effects of currency translation	–17	–0.8
Growth in sales revenues	206	9.1

Strong organic growth, particularly in Asia-Pacific, Africa

In 2017, FUCHS PETROLUB significantly expanded its business in all regions of the world. Significant increases in volume were achieved in many countries. The expansion of business activities was particularly notable in China where around 70% of regional sales revenues growth was generated.

All the companies in Europe grew, with a small number of exceptions. In the UK and Poland in particular, but also in Spain, France and Italy, business with local customers was increased significantly, while growth in the German companies was primarily driven by increased sales revenues from fellow subsidiaries. Europe's share of Group sales revenues declined slightly again after climbing sharply in the previous year due to acquisitions. At €1,515 million (1,417), the companies in Europe generated around 57% (59) of total revenues before consolidation.

Owing to its considerably higher growth levels, the region of Asia-Pacific, Africa now contributes 28% (26) to Group sales revenues prior to consolidation. It is dominated by China, which contributes over half of the sales revenues for the region and, in particular, expanded business with OEM customers as well as workshops and specialist trade partners significantly in the reporting year. After China, our most important markets in the region are Australia and South Africa. We also achieved above-average double-digit growth rates in these countries in 2017. The region generated sales revenues of €733 million (620).

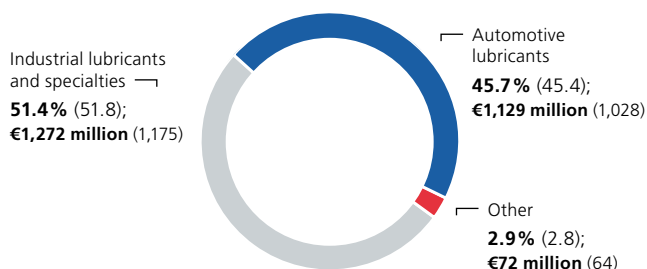
North and South America had a successful year again in 2017. Above-average increases in sales revenues were generated in the US and Canada, in particular, following weaker results in the previous year. The sales revenues from two smaller acquisitions in the US in 2016 also contributed to growth in the region. With sales revenues of €393 million (349), it accounted for 15% (15) of total sales revenues before consolidation.

The strong growth in the two non-European regions is also reflected in sales revenues broken down by customer location. They account for almost half of Group sales revenues owing to their double-digit growth rates.

Group sales revenues by customer location

in € million	2017	Share in %	2016	Share in %	Change	in %
Europe	1,262	51	1,213	54	49	4
Asia-Pacific, Africa	800	32	683	30	117	17
North and South America	411	17	371	16	40	11
Total	2,473	100	2,267	100	206	9

Breakdown of Group sales revenues by product groups



Results of operations

Group results of operations

in € million	2017	in %	2016	in %	Change in %
Sales revenues	2,473	100.0	2,267	100.0	206
Cost of sales	-1,591	-64.3	-1,416	-62.5	-175
Gross profit	882	35.7	851	37.5	31
Other function costs	-526	-21.3	-499	-22.0	-27
EBIT before income from companies consolidated at equity	356	14.4	352	15.5	4
Income from companies consolidated at equity	17	0.7	19	0.9	-2
EBIT	373	15.1	371	16.4	2
Financial result	-2	-0.1	-2	-0.1	-
Income taxes	-102	-4.1	-109	-4.8	7
Earnings after tax	269	10.9	260	11.5	9

In 2017, the FUCHS Group generated EBIT of €373 million (371) at the previous year's level. Earnings after tax increased to €269 million (260).

The basis for this is an increase in gross profit of 3.6% or €31 million to €882 million (851). The rise was lower than sales revenues growth due to a time lag in passing on raw material price increases as well as regional changes in the product or customer mix. The gross margin moved down to 35.7% (37.5).

The increase in other function costs was disproportionately low at €27 million or 5.4%. They amounted to €526 million (499), corresponding to 21.3% (22.0) of sales revenues. This growth was in line with planning, taking into account anticipated higher depreciation and amortization costs resulting from the commissioning of new facilities and plants in addition to increased employee numbers and the usual inflation-based wage and salary adjustments. The other operating result of €3 million (3) included in the function costs remained at the previous year's level despite containing an impairment loss on goodwill. Due to the difficult business environment faced by our Swedish subsidiary we recognized a write-down of €6 million for impairment of goodwill. This expense was offset by various smaller positive non-recurring effects.

The balance of gross profit and other function costs results in EBIT before income from companies consolidated at equity (EBIT before at equity) of €356 million (352). This is €4 million or 1.1% above the previous year's level. The margin of EBIT before at equity relative to sales revenues fell to 14.4% (15.5).

Income from companies consolidated at equity (at equity income), to which, in particular, our Saudi and Turkish Group companies contributed, amounted to €17 million (19). The decline is largely attributable to the difficult economic environment in Saudi Arabia and the weakness of the Turkish currency.

EBIT rose by €2 million or 0.5% to €373 million (371), while earnings after tax were up by €9 million or 3.5%. Financing expenses were unchanged year on year, while tax expense decreased. The tax rate (income taxes relative to earnings before tax, excluding income from company consolidated at equity) fell to 28.8% (31.1). Around two thirds of this decline resulted from the American tax reform.

Based on earnings after tax of €269 million (260), the net profit margin amounts to 10.9% (11.5). Earnings per ordinary and preference share increased by €0.07 or just below 4% to €1.93 (1.86) and €1.94 (1.87).

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

Europe

Segment information Europe¹

in € million	2017	2016
Sales revenues by company location	1,515	1,417
Organic growth	101 (7.1%)	43 (3.5%)
External growth	–	171 (14.0%)
Currency translation effects	–3 (–0.2%)	–24 (–2.0%)
EBIT before at equity	185	194
At equity income	2	2
Segment earnings (EBIT)	187	196
Capital expenditures	53	50
Acquisitions	1	0
Employees as at December 31 ²	3,349	3,253

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

² Including trainees.

Strong sales revenues growth at many companies in Europe

Almost all companies in Europe organically increased their sales revenues. The growth of €98 million or 6.9% to €1,515 million (1,417), which on balance was only slightly influenced by currency translation effects, was largely generated through increases in sales volumes. While the German companies substantially increased their supplies to affiliated Asian companies, the rise in sales revenues in the rest of Europe was mainly attributable to third-party customers. This also particularly applies to our company in the UK, whose sales revenues in the previous year suffered from the consequences of the Brexit decision.

A further consequence of this decision was the weakness of the British pound. In the UK this led to considerably higher raw material costs and also had a negative effect on consolidated earnings when translating the British profit contribution into euro. In Germany, the substantial increase in business with Group companies outside of Europe, which involves lower margins, could only partly offset the various cost increases.

In Scandinavia and Central and Eastern Europe we gained significant new business as a result of an acquisition in the fourth quarter of 2015. The profitability of our Swedish company suffers primarily from lower sales from exports to Eastern Europe. Existing assumptions about the utilization of production for export have been revised, so that at the balance sheet date we have written off around €6 million which corresponds to about half of the goodwill.

At €187 million (196), segment earnings (EBIT) decreased by €9 million or 5% against the previous year. The margin of EBIT before at equity relative to sales revenues fell to 12.2% (13.7).

Around a third of capital expenditures in the region totaling €53 million (50) related to extending production, storage and office facilities of our specialty lubricants location in Kaiserslautern. In addition, various investments in plant replacement and expansion were made at the Mannheim location and investments in England (office building), Poland and Sweden (production) that had begun in the previous year were continued or concluded.

Asia-Pacific, Africa

Segment information Asia-Pacific, Africa¹

in € million	2017	2016
Sales revenues by company location	733	620
Organic growth	122 (19.7%)	54 (9.2%)
External growth	–	12 (2.0%)
Currency translation effects	–9 (–1.5%)	–29 (–4.9%)
EBIT before at equity	119	110
At equity income	15	17
Segment earnings (EBIT)	134	127
Capital expenditures	39	18
Acquisitions	0	0
Employees as at December 31 ²	1,085	1,062

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

² Including trainees.

Asia-Pacific, Africa region remains very dynamic

The Asia-Pacific, Africa region has continued to develop very dynamically in the reporting year. Our large companies in China, Australia and South Africa achieved double-digit growth rates due in particular to considerable increases in sales volumes. As in the previous year, business associated with PENTOSIN products from the acquisition in 2015 made a positive contribution in China. Both the mining business and the commercial business performed well in Australia and South Africa. In terms of currencies we posted a positive effect in South Africa and Australia, although this was only partly able to offset the negative effect of a weaker Chinese renminbi. Altogether, sales revenues in the region grew by €113 million or 18.2%.

EBIT growth in the region of €7 million to €134 million (127) was generated primarily in China but also in South Africa and Australia. Similarly to sales revenues EBIT is influenced by exchange rate movements which partially equal out.

The margin of EBIT before at equity relative to sales revenues amounts to 16.2% (17.7).

The contributions to earnings from companies consolidated at equity were affected by the weak Turkish lira and difficult economic conditions in Saudi Arabia. The €15 million (17) we received from these countries constituted the largest portion of our at equity income.

Investments in property, plant and equipment in the region mainly related to China (start of construction of a new plant in Wujiang), completion of a new plant construction in Beresfield/Newcastle, Australia, and our grease plant in South Africa.

North and South America

Segment information North and South America¹

in € million	2017	2016
Sales revenues by company location	393	349
Organic growth	33 (9.4%)	–6 (–1.8%)
External growth	17 (4.9%)	9 (2.6%)
Currency translation effects	–6 (–1.7%)	–7 (–2.0%)
EBIT before at equity	65	62
At equity income	–	–
Segment earnings (EBIT)	65	62
Capital expenditures	12	24
Acquisitions	–	43
Employees as at December 31 ²	647	612

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

² Including trainees.

North America back on growth course

The companies in the US, Canada and Mexico achieved significant double-digit increases in sales revenues again in the reporting year. Owing to the difficult economic situation in key customer sectors this growth was preceded by two years of declining sales revenues in the US. Conversely, growth in South America weakened in 2017. Overall, the region achieved organic growth of 9.4% and posted external growth due to two smaller acquisitions. We acquired specialty businesses in the US in 2016. The US dollar was somewhat weaker throughout 2017 on average, leading to a slight decrease in sales revenues converted into euro.

With the growth in sales revenues segment earnings further increased. However, due to raw material costs and the product mix gross profit growth was disproportionately low relative to sales revenues growth and the margin of EBIT before at equity relative to sales revenues fell to 16.5% (17.8).

Investments in non-current assets largely related to our US plants. As in the previous year the focus was on our plant in Harvey, USA, where the grease plant was completed and further investments were made in extensive modernization and expansion.

2.7 Net assets and financial position

Balance sheet structure

Financial position

	Dec 31, 2017		Dec 31, 2016		Change in € million
	in € million	in %	in € million	in %	
Goodwill	173	10	185	11	-12
Other intangible assets	114	6	132	8	-18
Property, plant and equipment	471	27	427	26	44
Other non-current assets	63	4	70	4	-7
Non-current assets	821	47	814	49	7
Inventories	366	21	325	19	41
Trade receivables	374	21	351	21	23
Cash and cash equivalents	161	9	159	9	2
Other current assets	29	2	27	2	2
Current assets	930	53	862	51	68
Total assets	1,751	100	1,676	100	75

Growth related increase in total assets

The total assets of the FUCHS Group increased again in 2017 due to increased business volumes and investment. As at December 31, 2017 they were up €75 million or 4% year on year. Property, plant and equipment increased as a result of new construction and the expansion of existing plants. Inventories rose as a result of increasing intercompany supplies from Europe to Asia, which are associated with longer transportation times and higher safety stock levels.

Increased equity ratio

Despite the higher total assets the FUCHS Group increased its equity ratio to 75% (72) in 2017. Equity rose by €102 million to €1,307 million (1,205) as a result of earnings generated and retention of profits.

In the past, the Group's pension commitments were largely fully funded. The amount of €26 million (35) remaining at the end of 2017 relates mainly to our companies in Germany and the UK. The deferred tax liabilities of €34 million (42) are primarily due to acquisitions. They declined primarily as a result of the US tax reform.

Trade payables rose slightly to €194 million (186) due to increased business volume. → [## 45 Capital structure](#)

High net liquidity

Net liquidity, i.e. the total cash and cash equivalents available after deducting financial liabilities of €1 million (13), totaled €160 million (146) as at the balance sheet date.

NOWC increase

The business model of the FUCHS Group generally results in high inventories. In the reporting year this was accompanied by strong expansion of intercompany supplies from Europe to Asia, which are associated 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 €546 million (490) over the course of 2017. As a ratio of annualized sales revenues of the fourth quarter this corresponds to 22.3% (21.8), which represents an average capital tie-up period of 81 days (79).

Capital structure

	Dec 31, 2017		Dec 31, 2016		Change in € million
	in € million	in %	in € million	in %	
Shareholders' equity	1,307	75	1,205	72	102
Pension provisions	26	2	35	2	-9
Deferred taxes	34	2	42	3	-8
Other non-current liabilities	7	0	7	0	0
Non-current liabilities	67	4	84	5	-17
Trade payables	194	11	186	11	8
Provisions	39	2	43	2	-4
Financial liabilities	1	0	13	1	-12
Other current liabilities	143	8	145	9	-2
Current liabilities	377	21	387	23	-10
Total equity and liabilities	1,751	100	1,676	100	75

Use of capital employed*

in € million	2017	2016	Change absolute	Change in %
Property, plant and equipment*	443	384	59	15
Intangible assets*	303	294	9	3
Net operating working capital (NOWC)*	531	488	43	9
	1,277	1,166	111	10
Other items*	-50	-32	-18	-
Capital employed*	1,227	1,134	93	8

* Average figures, each based on five quarterly values.

The FUCHS Group's capital employed is represented almost entirely by the items property, plant and equipment, intangible assets and NOWC. This demonstrates the material influence of these three figures on FVA. Altogether, average capital employed increased by 8% in 2017. Property, plant and equipment increased considerably as a consequence of the growth strategy (+15%). NOWC increased by 9%.

Capital expenditures and acquisitions

Capital expenditures

As a consequence of our investment initiative we acquired or created property, plant and equipment and intangible assets amounting to €105 million (93) in 2017. Around half of the funds flowed

into extending existing and constructing new plants. The core areas were Australia, China, Germany, the USA and South Africa.

In the reporting year around €10 million was invested in our new plant near Newcastle, Australia, which is currently being commissioned. This plant not only replaces an old production site in the city center but is also primarily tailored toward supplying our customers in the Australian mining business more efficiently.

In China we have started constructing a plant at the new Wujiang location. We will relocate production from our location in Shanghai to there 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 first half of 2017 we celebrated the opening of the new grease plant in Harvey, USA, which will supply our OEM customers. Furthermore, a neighboring property with a warehouse was acquired at this location and connected to our factory.

In Germany, a significant expansion of our Kaiserslautern location, which mainly produces specialty lubricants, was concluded in the reporting year. The expansion was made necessary by the growth of this business area and concentration of diverse activities at this location.

In addition, the test facility at the Mannheim location was completed and commissioned in 2017. In addition diverse investments in expansion, plant replacement and renovation were made in Mannheim.

In South Africa, the new grease plant was completed and put into operation. In Sweden, following the purchase of the property in 2016 and the granting of permits in 2017, construction of the new plant can begin shortly.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets increased to €53 million (47). As in the previous year, this includes amortization of purchased intangible assets of around €9 million as a result of our acquisitions in 2015 and 2016. In addition, we recognized an impairment loss of €6 million on goodwill.

Acquisitions / divestments

FUCHS spent €1 million on acquiring its former sales partner in Romania on December 1, 2017.

On the same reporting date, the plant in Dormagen, Germany, was sold to its former main customer along with the customers it supplied. The sales revenues attributable to this amount to around €9 million p.a.

In 2017, cash flow from operating activities amounted to €242 million (300) and was thus lower than in the previous year. In addition to the expanded business activity based on organic growth, the sharp rise in intercompany supplies, and the resulting long transport routes and safety stocks have led to a significantly higher level of funds tied up in the NOWC.

Furthermore, investments in non-current assets rose to €105 million (93) as planned. As a result, free cash flow before acquisitions of €142 million (205) did not reach the previous year's level. €2 million (41) was paid for the acquisition in Romania and for the settlement of an acquisition liability from the previous year. After taking into account proceeds from the disposal of non-current assets of €5 million (0), cash outflow from total investing activities was €102 million (136).

The free cash flow of €140 million (164) was used to pay dividends of €123 million (114) to shareholders and to settle financial liabilities (€ – 11 million). Cash and cash equivalents remained at the previous year's level at €161 million (159).

Statement of cash flows

Statement of cash flows

in € million	2017	2016
Earnings after tax	269	260
Depreciation, amortization and impairment	59	47
Change of NOWC	–78	–22
Other changes	–8	15
Cash flow from operating activities	242	300
Investments in non-current assets	–105	–93
Other changes	5	–2
Free cash flow before acquisitions	142	205
Acquisitions	–2	–41
Free cash flow	140	164

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 €161 million (159). They secure the flexibility and independence of the FUCHS Group, as well as a policy of dividend payouts to FUCHS PETROLUB SE shareholders which are, at least, stable and, if possible, increasing. 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 €186 million (186) at banks alongside the option to raise additional funds on the capital market.

2.8 Overall position and performance indicators

The Executive Board is convinced that the FUCHS Group is in an excellent 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 – capital employed x weighted average cost of capital (WACC)

WACC 2017

Basic data¹:

- Shareholder's equity costs² =
7.8% (7.6) after and 11.4% (11.1) before taxes
- Borrowing costs³ =
1.4% (1.4) after and 2.0% (2.0) before taxes
- Financing structure⁴ =
86% (85) shareholders' equity and 14% (15) borrowed capital
- Typical Group rate of taxation = 30% (31)

¹ Empirical financial market data as of December 31, 2017.

² Risk-free interest rate + market risk premium x 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, 2017, there is a WACC of 9.9% (9.7) before taxes and 6.9% (6.7) after taxes. Therefore, as in the previous year, the WACC used for 2017 is 10.0% before and 7.0% after taxes.

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 sharp rise in NOWC utilized the Group's liquidity in the reporting year. Capital costs increased by €9 million, while WACC remained unchanged. Therefore, and due to EBIT growth of €2 million, FVA did not continue its long-term upward trend in the reporting year, amounting to €250 million (257).

Rise in tied-up capital slows FVA development

in € million	2017	2016	Change absolute	Change in %
EBIT	373	371	2	0.5
Capital Employed				
Equity*	1,244	1,117	127	11
+ Financial liabilities*	9	19	-10	-53
+ Net pension provisions*	33	35	-2	-6
+ Amortized goodwill*	85	85	-	-
– Cash and cash equivalents*	144	122	22	18
Total capital employed	1,227	1,134	93	8
WACC (in %)	10.0	10.0	-	-
Capital costs	123	114	9	8
FVA	250	257	-7	-3

* Average figures, each based on five quarterly values.

Five-year report of FVA and its components

in € million	2017	2016	2015	2014	2013
EBIT	373	371	342	313	312
Average capital employed	1,227	1,134	960	833	786
Capital costs	123	114	96	83	90
WACC (in %)	10.0	10.0	10.0	10.0	11.5
FVA	250	257	246	230	222

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, the settlement of debts and 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.

In 2017, the FUCHS Group generated free cash flow before acquisitions of €142 million (205). This was used to pay dividend distributions for the previous year of €123 million (114). Furthermore, financial liabilities of €11 million were settled and €2 million paid out for acquisitions. Cash and cash equivalents remained at the previous year's level at €161 million (159).

Therefore, the Group had a very good liquidity over 2017 as a whole.

The following overview shows the development of free cash flow before and after acquisitions. The dividends paid to the share-

holders of FUCHS PETROLUB SE have increased each year, while free cash flow before acquisitions declined in 2016 and 2017 due to increased business volumes and investment.

→ [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). Strong organic growth was achieved in all regions in the reporting year. 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 2017, the Group increased its EBIT by 0.5%. 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	2017	2016	2015	2014	2013
Free cash flow before acquisitions	142	205	232	210	150
Acquisitions	-2	-41	-170	-22	-
Free cash flow	140	164	62	188	150
Dividend distribution (for the previous year)	123	114	107	97	92
Share buyback	-	-	-	76	22

2.9 Opportunity and risk report

Opportunities

Events that could lead to positive deviations from targets.

Risks

Events that could only lead to negative deviations from targets.

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, to detect risks at an early stage, to assess them appropriately and to introduce adequate responses to prevent 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 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 departments of FUCHS PETROLUB SE, which include, amongst others, Finance, Controlling, Legal, Taxes, Purchasing, 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 departments report potential risks and opportunities to central opportunity and risk management. 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 sustainable corporate strategy. The Group has 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 the 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 individual companies. Global information is regularly compressed in the context of budgeting and general projections. Potential opportunities not taken into account in these calculations are reported to central opportunity and risk management 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 key pillars for our corporate success. These strengths, in combination with the proven business model and early detection of future requirements regarding products, envi-

ronmental 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 staff, 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 cyber-physical systems of a previously unfathomable complexity possible in the near future. The resulting interaction between the real and digital world 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 leader of our competitive market.

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 FUCHS, and defines a 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 based on the generally recognized COSO II framework of the Committee of Sponsoring Organizations of the Treadway Commission.

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

The RMS is regulated in a directive that applies throughout the Group. 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 units once a year as part of a structured process, form the basis of global risk controlling in the Group. Risk reporting covers risks that were not already taken into account in the corresponding figures in the scope of preparing budgets and projections.

The risk management 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 respective probability of occurrence and the associated potential extent of loss are taken into account. The deviation from the budgeted earnings after taxes 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 central opportunity and risk management.

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

Likelihood of occurrence

Likelihood of occurrence	Description
Less than 10 %	Unlikely
11 to 25 %	Possible
26 to 50 %	Likely
51 to 100 %	Very likely

Extent of net loss

Extent of net loss	Description
Insignificant	Deviation from the budgeted earnings after tax is less than or equal to €10 million
Low	Deviation from the budgeted earnings after tax is greater than €10 million and less than or equal to €25 million
Moderate	Deviation from the budgeted earnings after tax is greater than €25 million and less than or equal to €40 million
Significant	Deviation from the budgeted earnings after tax is greater than €40 million

The value limits for the extent of net loss are based on the deviation of 5%, 10% or 15% from the budgeted earnings after tax.

Risk matrix

	Likelihood of occurrence			
	Unlikely (0–10%)	Possible (11–25%)	Likely (26–50%)	Very likely (51–100%)
Significant (>€40 million)	Medium	Medium	High	High
Moderate (>€25 million and ≤€40 million)	Low	Medium	Medium	High
Low (>€10 million and ≤€25 million)	Low	Low	Medium	Medium
Insignificant (≤€10 million)	Low	Low	Low	Low

The combination of the probability of occurrence and extent of net loss determines which risk categories are considered significant from the Group's perspective. Risks are grouped into low, medium and high risks. In line with our risk methodology, only high risks are classed as significant. → © Risk matrix

Even with appropriately set up and fully functional 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 above, the FUCHS Group is not currently subject to any aggregated risks rated as significant.

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 ensures the effectiveness and profitability of business operations, regular and accurate accounting and compliance with the key legal provisions and internal regulations relevant to the company.

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 internal Group guidelines. All companies included in the scope of consolidation report to the parent company in a standardized form. In addition to this, consolidation is performed based on uniform principles throughout the Group.

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 tool.

Effectiveness and security

The Group accounting requirements are described in an annually 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 and risk management 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.

Individual risks

On the basis of the risk classification system described above, the FUCHS Group is not currently subject to any aggregated risks rated as significant. Also, the aggregation of all risks is not significant from the Group's perspective. Nevertheless, the 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 the sales regions can potentially impair the sales revenue and earnings position of the FUCHS Group. Geopolitical and economic crises can impact regional markets. The economic and political situation in the Middle East, Russia and Ukraine, and also the potential realignment of entire national economies such as may be the case in the UK, Spain or the US, represent risks to the macroeconomic development of the sales regions and define the local conditions for the development of the FUCHS companies affected.

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 customer sectors.

Company-specific risks

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

Company-specific risks

Company-specific risks	Net loss	Likelihood of occurrence	Assessment
Strategic risks			
Investment and acquisition risks	Insignificant	Unlikely	Low risk
Risks from research and development	Insignificant	Unlikely	Low risk
HR risks	Insignificant	Likely	Low risk
Operational risks			
Sectoral and competitive risks	Insignificant	Likely	Low risk
Procurement risks	Insignificant	Likely	Low risk
IT risks*	Insignificant	Unlikely	Low risk
Legal and compliance risks			
Regulatory risks	Low	Possible	Low risk
Production, product and environmental risks	Insignificant	Likely	Low risk
Financial risks			
Currency risks	Insignificant	Likely	Low risk
Credit risk	Insignificant	Likely	Low risk

* Only organizational IT risks (see section "IT risks").

Strategic risks

Investment and acquisition risks

Investment and acquisition projects are associated with complex risks. For example, unforeseeable changes to economic or legal frameworks can potentially lead to higher investment and acquisition costs. Both the process of setting up an investment and of integrating companies that have been acquired can be delayed. Investment and acquisition decisions are therefore implemented on the basis of defined processes and procedures, are subject to careful examination in a multi-stage process and are continuously monitored by comprehensive project and cost controlling.

Risks from research and development

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

HR risks

The motivation and skills 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. Failure to do so could result in risks to the company. We use various HR marketing initiatives to make the attractiveness of the FUCHS Group as an employer known to the outside world. A standardized application process ensures the selection of the most suitable candidates. In order to retain high performers and talented employees, we have implemented a manager development program and offer interested employees opportunities for structured continuing professional development. Our values and management principles further increase FUCHS' appeal as an employer.

Operational risks

Sector and competitive risks

We specifically focus on intensive competition on sales markets, rising customer quality standards and technological progress. Further risks can arise from a dependence on individual customers and industries. If one of these customers' demand for products

declines, this could lead to reduced purchases of FUCHS products and increased price sensitivity. Although the Group's business operations already cover a variety of different industries, we are keen to further diversify these operations through the incorporation of new client groups, markets, and industries. In this context, we constantly strive to maintain and further build on 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.

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 at FUCHS PETROLUB 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. Changes in crude oil prices also affect the procurement prices of several raw materials, though not directly and not to the same extent.

IT risks

As part of the global risk assessment and aggregation, we focus on organizational risks of information technology. These 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.

Not quantified in our risk matrix are risks resulting from cyber-crime and cyberattacks, which, for example, use the Internet as a means of action. The criminal misuse of digital technologies is a major 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, 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 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 and compliance risks

We aim to control legal risks and keep them as low as possible. We have 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, patent law, tax law, employment law, competition law and environmental protection. 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 socially ethical conduct. The prevention and detection of violations, and responding to these violations, 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.

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. While all substances produced or imported

in quantities of more than one hundred tons per year already have to be registered, all substances produced or imported in quantities of more than one ton per year will have to be registered by May 31, 2018. There is a risk that our suppliers will seek not to register certain 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. In order to meet different regulatory requirements and thus enable the sale of our products within the EU and worldwide, we have set up a network of experts who analyze the relevant legislation and ensure compliance with the respective regulations.

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. The labeling requirement could mean that products in the FUCHS product range can no longer be sold unreservedly. We are supporting the introduction of GHS worldwide by creating appropriate organizational structures. We have already developed alternative formulations for potentially affected products. Our expert teams are also working on further alternatives.

Production, product and environmental 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. The use of raw materials and our product manufacturing process are both subject to systematic worldwide monitoring of quality requirements and standards. 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 with safety stocks and our global production network.

Financial risks

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. Transaction and translation risks therefore have a counteracting and thus compensatory effect at Group level.

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.

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 regular credit assessments and the review of the credit limits granted. Depending on the nature of the business relationship, additional collaterals such as credit insurance, advance payments, documentary credits and securities may be required for business transactions.

Other non-quantifiable opportunities and risks

The digitalization and networking of the industry will cause business processes to change, technology to be supplanted and individual business models to be called 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 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.

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.

2.10 Forecast report

Group alignment and economic framework

The FUCHS Group operates across a wide range of regions, across many 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 high service costs. Because of the need to reduce costs or solve technical issues, existing products are improved or new products are developed.

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

General economic development forecasts

For 2018, the International Monetary Fund (IMF) forecasts growth of 3.9% in the global economy, following an estimate of 3.7% for 2017. Therefore, we also anticipate growth of around 1% in 2018 for the global lubricant market, which experienced stronger growth compared to previous years of around 1% in 2017.

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 2017 and forecasts for 2018 are described starting on page 36.

→ [36 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 Group structure, FUCHS PETROLUB is planning further organic sales revenues and earnings growth in 2018. Because of the variety of risks in the increasingly complex environment – including the raw materials markets, which are important to us – actual development may be weaker than anticipated. At the same time, there are opportunities in a better environment contrary to our expectations.

Forecast performance indicator

	Actual 2017	Forecast 2018
Sales revenues	€2,473 million	+3% to +6%
EBIT	€373 million	+2% to +4%
FVA	€250 million	at previous year's level
Free cash flow before acquisitions	€142 million	at previous year's level

The anticipated increase in sales revenues is based largely on organic volume growth combined with changes in the price and product mix. In terms of external growth, we currently anticipate a slightly negative value due to the sale of the plant in Dormagen on December 1, 2017. It remains to be seen whether acquisitions can be made over the course of 2018.

Planning is on the basis of exchange rates at the end of October 2017. When translating the planned sales revenues into the Group currency, the euro, on basis of the January 2018 exchange rates, there is a further negative translation effect of 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.

The Executive Board anticipates disproportionately low EBIT growth once again. The investments made over the last few years in recruiting new employees, in new and existing plants as well as intensified research and development activities are leading to an increasing cost base, so that earnings growth is not expected to keep pace with the growth in sales revenues.

It remains to be seen how far potential increases in raw material prices and the time lag before they are passed on will negatively impact earnings in 2018 similarly compared to the previous year.

Should the global economy and global lubricant consumption grow significantly stronger than forecasted, a corresponding increase in EBIT growth should also be expected. Conversely, it would be more difficult to absorb the aforementioned increased costs in case of weaker growth.

All regions are planning organic growth in sales revenues and EBIT increases. We expect the strongest growth in relative terms in Asia-Pacific, Africa.

Capital employed will increase further. Business volume and thus also the required NOWC will continue to grow. Furthermore, investments in property, plant and equipment of around €140 million are planned. The investments mainly relate to China where we are building a new plant and extending the existing locations. Further plant expansion and modernization activities are planned in the US, Germany, Sweden, Russia and the UK.

The anticipated growth in EBIT should offset the rise in the costs of capital employed. As a result of this, we are anticipating FVA at the previous year's level (€250 million) – subject to the weighted capital costs remaining unchanged. We also expect free cash flow before acquisitions to remain at the previous year's level (€142 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 the pan-European management it supplies many customers from its local production activities. Although the supply of raw materials is also coordinated globally it is still mostly direct. For this reason, cross-border provision of goods and services is limited with the result that any direct negative impact from potential customs duties etc. should also be limited. Beyond this, it is not currently 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.

2.11 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 know-how and trademark rights. The expenses accrued by FUCHS PETROLUB SE primarily relate to administration, technical development, and brand management. Beside this, financing expenses might also be incurred. 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. It enjoys a solid basis in terms of financial position, net assets, and results of operations.

Results of operations

Earnings after tax at FUCHS PETROLUB SE decreased 5% year on year to €212 million (224). This is in line with our forecast from the start of the year.

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

Results of operations FUCHS PETROLUB SE

in € million	2017	2016
Sales revenues	38	33
Investment income	266	277
Other operating income	5	8
Staff costs	–23	–24
Depreciation and amortization	–1	–1
Other operating expenses	–27	–26
Earnings before interest and tax (EBIT)	258	267
Financial result	0	2
Earnings before tax	258	269
Income taxes	–46	–45
Earnings after tax	212	224
Retained earnings brought forward from the previous year	0	18
Transfer to other retained earnings	–86	–111
Unappropriated profits	126	131

The SE's sales revenues comprise licenses of €33 million (29) and cost allocations of €5 million (4). The income statement is predominated by investment income. Profit distributions from foreign stock corporations were €155 million (144). Income of €137 million (129) was received from profit and loss transfer agreements in place with German subsidiaries. Profit distributions are thus above target. This is offset by an expense of €29 million for an impairment loss on the carrying amount of the investment in our Swedish company.

Significantly fewer supplies and services were purchased centrally via the SE and charged on to the subsidiaries in the reporting period than in the previous year. As a result, other operating income amounted to €5 million (8).

Staff costs decreased by €1 million to €23 million (24). The previous year's figure contained a one-off expense of around €1 million for transferred pension obligations.

Other operating expenses rose by €1 million to €27 million (26) due primarily to increased research and development cost subsidies paid by the holding company to subsidiaries. The research and development subsidies represent the largest expense items here. Other costs include, in particular, consultancy, maintenance, travel and other staff costs.

EBIT amounted to €258 million (267) and earnings after interest and before taxes were €258 million (269). After taxes of €46 million (45) for the tax consolidation group, earnings after tax amounted to €212 million (224).

Unappropriated profit as at December 31, 2017, is €126 million (131) after an allocation of €86 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.

At the end of the reporting period, financial assets and receivables due from affiliated companies of €982 million (891) were reported. This represents 95 % (94) of assets. Beside this, cash and cash equivalents and current securities of €41 million (42) were held.

The €26 million decrease in financial assets to €531 million (557) is based on impairment charges of €29 million relating to the carrying amount of the investment in the Swedish company and write-ups on four (three) investments of €3 million (4).

Of the receivables due from affiliated companies, 91 % (96) or €409 million (319) were attributable to German companies. Of this, 99 % (98) or €403 million (313) were attributable to FUCHS FINANZSERVICE, the Group's financing company.

Through further accumulation, FUCHS PETROLUB SE's equity rose by €89 million to €1,013 million (924). The equity ratio remains stable at 98 % (98).

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

Net assets and financial position FUCHS PETROLUB SE

	Dec 31, 2017		Dec 31, 2016		Change
	in € million	in %	in € million	in %	in € million
Intangible assets and property, plant and equipment	9	1	9	1	0
Financial assets	531	51	557	59	-26
Receivables due from affiliated companies	451	44	334	35	117
Cash and cash equivalents and current securities	41	4	42	4	-1
Other assets	4	0	5	1	-1
Total assets	1,036	100	947	100	89
Shareholders' equity	1,013	98	924	98	89
Provisions	21	2	21	2	0
Other liabilities	2	0	2	0	0
Total assets	1,036	100	947	100	89

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.

The planning for 2018 anticipates a similar level of income from investments as in 2017 and, on balance, virtually unchanged expenses (particularly for staff) and income (particularly from licenses). Therefore, we anticipate that earnings after tax will be at the level recorded in 2017.

Unappropriated profit and dividend proposal

Based on the result according to the German Commercial Code, in which unappropriated profit of €126 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 €0.02 per share over the previous year

- to €0.90 (0.88) per ordinary share entitled to dividend
- to €0.91 (0.89) per preference share entitled to dividend.

According to this, dividend payments will amount to €126 million (123).

2.12 Corporate Governance

In the following chapter, the Executive Board reports – also on behalf of the Supervisory Board – on corporate governance at FUCHS PETROLUB SE in accordance with item 3.10 of the German Corporate Governance Code and Sections 289f and 315d 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.

Corporate Governance at FUCHS PETROLUB SE is predominantly based on the provisions of the German Stock Corporation Act (AktG) and the regulations of the German Corporate Governance Code. The Code contains important regulations on managing and monitoring listed companies and also formulates both nationally and internationally recognized standards for sound and responsible corporate governance.

FUCHS PETROLUB SE sees corporate governance as a central prerequisite for achieving its company targets and increasing enterprise value. In particular, we believe that sound and responsible management and monitoring geared towards sustainable value added 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 in how we see ourselves, 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 us with respect to our conduct. We are keen to confirm this trust in the long-term, and also to develop corporate governance continuously within the Group.

Throughout the past financial year, the Executive Board and the Supervisory Board at FUCHS PETROLUB SE once again examined and addressed the recommendations and suggestions of the Corporate Governance Code, paying particular attention to the principles for the composition and diversity of the Executive Board and the Supervisory Board, the requirements regarding the independence of members of the Supervisory Board and giving appropriate consideration to women when filling management posi-

tions in the company. On this basis, the Executive Board and the Supervisory Board together submitted the updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) on December 11, 2017, 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 German Corporate Governance 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. This two-tier board system was also retained following the transformation into an SE. Sound corporate governance requires continuous further development of this two-tier board system, with all divisions being included.

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's enterprise value in the long term. 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. The Rules of Procedure govern the work of the Executive Board in more detail. The distribution of responsibilities among the individual members of the Executive Board is regulated by the schedule of responsibilities. For certain business processes – such as annual planning or major acquisitions – 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.

The Executive Board makes decisions on fundamental issues of business policy, strategy and annual and multi-year planning. The Executive Board ensures appropriate risk and opportunity management in the company. It works towards compliance with legal

* No examination of contents by the auditor.

provisions, official regulations and internal policies (compliance), taking diversity and the appropriate participation of women into account when filling management positions in the company.

The composition of the Executive Board and the allocation of duties within the Executive Board (organization of responsibilities, regions and divisions) are shown in detail in the section on organization. → [7 organization](#) The main features of the remuneration system and the individual remuneration of members of the Executive Board are described in the compensation report. → [68 Compensation report](#)

The Supervisory Board is responsible for appointing the Executive Board in accordance with Section 84 AktG. It ensures long-term succession planning together with the Executive Board. The Supervisory Board has assigned responsibility for preparing decisions to the Personnel Committee. The size of the Executive Board is based on the requirements resulting from the business and the division of work in the Executive Board.

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 is geared towards

- the early identification of suitable candidates of different disciplines and 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 individual character. Overall, the composition of the Executive Board is expected to ensure comprehensive compliance with the duties required of the executive board of a listed company.

It must also be ensured 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
- majority of the Executive Board has 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 the recommendations of the German Corporate Governance Code, there is a standard age limit of 65 years.

All of the above criteria have been met.

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 Chairman of the Executive Board maintains regular contact with the Chairman of the Supervisory Board. The continuous dialog between the Executive Board and the Supervisory Board, which is based on mutual trust, forms an important foundation for success at FUCHS PETROLUB SE.

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 at FUCHS PETROLUB SE is made up of four shareholder members elected by the Annual General Meeting and two members elected by the European Works Council (SE Works Council) of FUCHS PETROLUB SE, which represents the company's European employees.

The Supervisory Board of FUCHS PETROLUB SE must be composed in a way that ensures compliance with the duties of a listed company, in particular providing qualified advice to the Executive Board and the performance of the Supervisory Board's monitoring duties. Based on their knowledge, skills and specialist experience, integrity, motivation, independence and character, the candidates to be proposed for election to the Supervisory Board should be capable of performing the duties required of a member of the supervisory board of an international group operating in the lubricants industry and preserving the reputation of the FUCHS Group in public. The Supervisory Board has set targets for its composition and regularly focuses on the issue of long-term succession planning.

Accordingly, the Supervisory Board as a whole must

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

With the objective of maximum additional benefits, 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:

- 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, each individual member of the Supervisory Board should not usually be a member of the Supervisory Board 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 in accordance with the provisions of laws on the participation of employees in a European Company. The Annual General Meeting is not permitted to select the employee representatives. For employee representatives, 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.

The Supervisory Board has an appropriate number of independent members. In the Supervisory Board's opinion, Dr. Susanne Fuchs and Dr. Dr. h. c. Manfred Fuchs are not considered independent as they have a personal relationship with the company and its Execu-

tive Board, and because they hold an appreciable number of shares in the company. By way of resolution of the Annual General Meeting of May 5, 2017, Dr. Susanne Fuchs was elected as a member of the Supervisory Board as the successor to Dr. Dr. h. c. Manfred Fuchs. Dr. Dr. h. c. Manfred Fuchs was a member of the Supervisory Board from 2004 until his resignation on May 5, 2017. In the opinion of the Supervisory Board, all the other five members of the Supervisory Board listed on page 7 are independent in accordance with item 5.4.2 of the Corporate Governance Code.

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.

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. → [68 Compensation report](#)

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. Since the election of Dr. Susanne Fuchs as a member of the Supervisory Board, FUCHS PETROLUB SE has exceeded its target for the Supervisory Board (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 missed with 7% as of the end of 2017; the target for the percentage of women at the second management level was achieved (30%).

Committees of the Supervisory Board

The Supervisory Board at FUCHS PETROLUB SE has formed three qualified committees which prepare and also supplement its work. The duties, responsibilities and work processes comply with the binding regulations of the German Stock Corporation Act (AktG) and are in line with the requirements of the German Corporate Governance Code.

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 respective chairs of the committees regularly report to the Supervisory Board on the work of the committees.

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, measures affecting the capital structure and the election of the auditor. Each ordinary share grants the holder one vote. The Schutzgemeinschaft Familie Fuchs holds around 54% of the ordinary shares. While the preference shares only grant voting rights in the cases prescribed by law, they grant the holders a preference right on the distribution of unappropriated earnings 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 statutory and legal conditions, 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 or a voting representative appointed by the company, by granting an appropriate power of attorney.

The Annual General Meeting typically takes place in May. The reports, documents and information required by law to be submitted for annual general meetings, including the annual report, can be accessed 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 the Articles of Association, the Chairman of the Supervisory Board chairs the Annual General Meeting. He determines the order in which proceedings are conducted in addition to the type and form of voting. He is also authorized to limit the shareholders' rights to ask questions and to speak to a reasonable period of time.

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. The main guideline for the actions of all employees is observing applicable law. Without exception, management and employees are required to observe applicable laws, directives and social standards within the scope of their duties, regardless of whether these are international, national or local regulations. Illegal conduct harbors the risk of damaging the company's image, weakening its market position or even causing financial harm.

The company has set up a Compliance Management System (CMS) for the prevention of the dangers and risks described above. The FUCHS Code of Conduct and the compliance guidelines are essential foundation of the CMS for complying with rules on competition in particular, and on preventing money laundering, corruption and bribery. The Code of Conduct and the compliance guidelines constitute a binding framework for the company to ensure lawful and socially ethical conduct. This is supplemented by information and training activities, a whistleblower portal including a compliance hotline for reporting criminal or antitrust violations, the systematic processing and appropriate sanctioning of compliance violations, regular compliance reporting and a special compliance audit performed by Internal Audit.

The CMS is implemented according to the individual Group structure by a corresponding central and local 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, a Compliance Committee and other compliance officers appointed by each subsidiary implement the compliance program together, manage and develop it further, and support and advise employees around the world. The Compliance Committee assists the CCO as an interdisciplinary work group and comprehensively bundles the expertise within the company for compliance management. In addition, it 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 proposes sanctions in the event of violations. A digital whistleblower portal gives all employees the chance to initiate a dialog with the Chief Compliance Officer, while remaining anonymous if so desired. The CMS therefore enables the company to eliminate the identified vulnerabilities and to learn from the findings. 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, all Declarations of Compliance, 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, can be accessed on the company's website.

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

Trust, creating value, respect, reliability and integrity define the FUCHS mission statement. The mission statement expresses a common attitude on the part of management and thus provides a general guideline for acting responsibly. At FUCHS, the values are considered a benchmark for internal objectives and form the basis for individual actions.


The company has summarized its basic principles for sustainable activities in a comprehensive Sustainability Guideline. For further information on sustainability at FUCHS, please refer to the combined non-financial declaration and the sustainability report on the company's homepage.

→  **33 Combined non-financial declaration**


→  www.fuchs.com/sustainabilityreport

Opportunity and risk management

Sound corporate governance also includes the responsible handling of opportunities and risks by the company. The Executive Board ensures appropriate opportunity and risk management in the company. The Supervisory Board is regularly informed by the Executive Board of existing opportunities and risks, their development and any measures that have been taken in this regard. The Audit Committee, set up by the Supervisory Board, monitors the accounting process and examines the effectiveness of the internal control system, the risk management and internal audit system

and the audit of the financial statements. The internal control system, the risk management system and the internal audit system are developed on an ongoing basis in line with changes in general conditions. Details on this can be found in the report on opportunities and risks. →  **49 Opportunity and risk report**

High transparency through comprehensive information

FUCHS PETROLUB SE places great emphasis on keeping capital market participants up-to-date on the economic situation of the Group and key events through regular, prompt, uniform and comprehensive information. This reporting takes the form of an annual report, a half-year financial report 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.

Any reportable managers' transactions are published on the website. →  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. Any conflicts of interest must be declared to the Supervisory Board immediately. If applicable, the Annual General Meeting must also be informed of conflicts of interest that have arisen and how they are being handled. 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) as adopted in the European Union. The statutory annual financial statements of FUCHS PETROLUB SE, which are relevant for the distribution of dividends, are prepared in accordance with the provisions of the German Commercial Code (HGB). After being prepared by the Executive Board the annual and consolidated financial statements, and the combined management report are audited by the auditor appointed at the Annual General Meeting and approved by the Supervisory Board on the basis of its own examination. The annual financial statements are then adopted.

It has been agreed with the auditor that he will inform the Chairman of the Supervisory Board or 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. The auditor must 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 5, 2017, elected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the annual and consolidated financial statements of FUCHS PETROLUB SE for the financial year 2017. KPMG has been the auditor of FUCHS PETROLUB SE since the 1991 consolidated financial statements and the 1995 annual financial statements. The auditor responsible has been Hans-Dieter Krauß since the audit for the 2013 financial year.

In 2017, the Audit Committee of the Supervisory Board of FUCHS PETROLUB SE carried out a selection process for the appointment of an auditor for the FUCHS Group from the 2018 financial year onwards. At the end of this process, the Audit Committee submitted a report and recommended two audit firms to the Supervisory Board as the auditor for the separate and consolidated financial statements of FUCHS PETROLUB SE, and stated a preference for one of its two proposals with its reasons. The Supervisory Board adopted a relevant resolution in its December meeting and will propose PricewaterhouseCoopers GmbH as the auditor for the 2018 financial year at the Annual General Meeting on May 8, 2018.

Declaration of compliance in accordance with Section 161 AktG

Declaration of Compliance 2017 of the Executive Board and the Supervisory Board of FUCHS PETROLUB SE in accordance with Section 161 AktG

FUCHS PETROLUB SE complies with all recommendations of the German Corporate Governance Code dated February 7, 2017, published by the Federal Ministry of Justice on April 24, 2017 in the official section of the Federal Gazette, amended on May 19, 2017 and will continue to comply with them accordingly.

Since the last declaration of compliance dated December 13, 2016, FUCHS PETROLUB SE has complied with all recommendations of the German Corporate Governance Code as amended on May 5, 2015 and published by the Federal Ministry of Justice on June 12, 2015 in the official section of the Federal Gazette.

Mannheim, December 11, 2017



Dr. Jürgen Hambrecht

Chairman of the
Supervisory Board



Stefan Fuchs

Chairman of the
Executive Board

The declaration of compliance was made available on the company's website at → www.fuchs.com/declaration-of-compliance on December 11, 2017.

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

The compensation of the members of the Executive Board is based on the following criteria:

- duties of the individual board members,
- 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 the following components: non-performance-based annual fixed compensation, performance-related variable compensation comprising a Short-Term Incentive (STI) and a Long-Term Incentive (LTI), additional benefits and pension commitments.

The fixed compensation is based on the full year and paid out monthly. It is regularly reviewed by the Supervisory Board and adjusted if necessary. The members of the Executive Board also receive additional benefits in the form of remuneration in kind, which essentially comprises the use of company cars and payment of insurance premiums.

The performance-related compensation components are aligned with FUCHS Value Added (FVA) → [47 FVA performance indicator](#), which forms the basis for variable compensation components 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 are agreed for the entire Executive Board. The variable compensation component, which is based on the FVA, is therefore extended to include a performance factor that places emphasis on the need for a multi-year assessment basis and ranges between 0.75 and 1.25 (variable compensation = FVA x performance factor). 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 PETROLUB 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, 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 2017 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			
	2016	2017	2017 Min	2017 Max	2016	2017	2017 Min	2017 Max	2016	2017	2017 Min	2017 Max
Fixed compensation	800	800	800	800	500	500	500	500	500	500	500	500
Additional benefits	16	16	16	16	19	22	22	22	15	16	16	16
Total	816	816	816	816	519	522	522	522	515	516	516	516
Annual variable compensation (STI)	988	800	0	1,200	494	400	0	750	309	400	0	750
Multi-year variable compensation (LTI)	988	800	0	1,200	494	400	0	750	309	400	0	750
Total variable compensation	1,976	1,600	0	2,400	988	800	0	1,500	618	800	0	1,500
Total compensation Section 314 HGB	2,792	2,416	816	3,216	1,507	1,322	522	2,022	1,133	1,316	516	2,016
Pension expenses	192	238	238	238	176	206	206	206	100	100	100	100
Total compensation GCGC	2,984	2,654	1,054	3,454	1,683	1,528	728	2,228	1,233	1,416	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			
	2016	2017	2017 Min	2017 Max	2016	2017	2017 Min	2017 Max
Fixed compensation	500	500	500	500	500	500	500	500
Additional benefits	15	15	15	15	10	13	13	13
Total	515	515	515	515	510	513	513	513
Annual variable compensation (STI)	494	400	0	750	309	400	0	750
Multi-year variable compensation (LTI)	494	400	0	750	309	400	0	750
Total variable compensation	988	800	0	1,500	618	800	0	1,500
Total compensation Section 314 HGB	1,503	1,315	515	2,015	1,128	1,313	513	2,013
Pension expenses	124	153	153	153	100	100	100	100
Total compensation GCGC	1,627	1,468	668	2,168	1,228	1,413	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. → [# 70 Total Executive Board compensation: Allocation](#)

The present value of pension commitments less fund assets, which equates to the provision amount, is €5,446 thousand (6,650) for the Executive Board members active at the end of the year. Of

this amount, €2,521 thousand is attributable to Stefan Fuchs (DBO €4,755 thousand; fund assets €2,234 thousand), €1,609 thousand to Dr. Lutz Lindemann (DBO €3,802 thousand; fund assets €2,193 thousand) and €1,316 thousand to Dr. Ralph Rheinboldt (DBO €2,813 thousand; fund assets €1,497 thousand).

The total compensation of former Executive Board members and their surviving dependents in 2017 amounted to €541 thousand (539). The pension provisions – pension obligation less fund assets – for former Executive Board members and their surviving dependents amounted to €2,018 thousand (3,014).

Total Executive Board compensation

Allocation

Allocation (in € thousand)	Stefan Fuchs		Dr. Lutz Lindemann		Dr. Timo Reister	
	2017	2016	2017	2016	2017	2016
Fixed compensation	800	800	500	500	500	500
Additional benefits	16	16	22	19	16	15
Total	816	816	522	519	516	515
Annual variable compensation (STI)	880	988	440	494	440	309
Multi-year variable compensation (LTI)	880	988	440	494	440	309
Total	2,576	2,792	1,402	1,507	1,396	1,133
Pension expenses	238	192	206	176	100	100
Total compensation	2,814	2,984	1,608	1,683	1,496	1,233

Allocation (in € thousand)	Dr. Ralph Rheinboldt		Dagmar Steinert		Total	
	2017	2016	2017	2016	2017	2016
Fixed compensation	500	500	500	500	2,800	2,800
Additional benefits	15	15	13	10	82	75
Total	515	515	513	510	2,882	2,875
Annual variable compensation (STI)	440	494	440	309	2,640	2,594
Multi-year variable compensation (LTI)	440	494	440	309	2,640	2,594
Total	1,395	1,503	1,393	1,128	8,162	8,063
Pension expenses	153	124	100	100	797	692
Total compensation	1,548	1,627	1,493	1,228	8,959	8,755

Compensation for members of the Supervisory Board

The compensation of the Supervisory Board is governed by 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 variable compensation is limited to two thirds of the fixed annual compensation (cap). Half of the variable compensation is to be invested in preference shares in the company with a vesting period of five years, whereby the vesting period is waived when the member leaves the Supervisory Board. The Chairman of the Supervisory Board receives double and the Deputy Chairman one and a half times

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

→ **# 71 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 2017 (2016)

in € thousand	Fixed compensation	Variable compensation	Compensation for committee work	Total
Dr. Jürgen Hambrecht	120	55	20	195
	(120)	(53)	(20)	(193)
Dr. Dr. h.c. Manfred Fuchs (until May 5, 2017)	31	14	11	56
	(90)	(40)	(30)	(160)
Dr. Susanne Fuchs (since May 5, 2017)	39	18	20	77
	–	–	–	–
Horst Münkcl	60	28	–	88
	(60)	(27)	–	(87)
Ingeborg Neumann	60	28	23	111
	(60)	(27)	(30)	(117)
Lars-Eric Reinert	60	28	–	88
	(60)	(27)	–	(87)
Dr. Erhard Schipporeit	80	37	46	163
	(60)	(27)	(40)	(127)
Total	450	208	120	778
	(450)	(201)	(120)	(771)

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 at December 31, 2017 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 49.5% of the voting rights. The individuals who are members of the Fuchs family hold a further 4.8%. Schutzgemeinschaft Fuchs therefore holds 54.3% 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."

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



Financial Report

Earnings after taxes
rise to €269 million

+ 4 %
earnings per share

€142 million

free cash flow before
acquisitions

Financial Report

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* Part of the notes.

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Income statement

in € million	Notes	2017	2016
Sales revenues	(1)	2,473	2,267
Cost of sales	(2)	–1,591	–1,416
Gross profit		882	851
Selling and distribution expenses	(3)	–361	–341
Administrative expenses	(4)	–121	–117
Research and development expenses		–47	–44
Other operating income and expenses	(5)	3	3
EBIT before income from companies consolidated at equity		356	352
Income from companies consolidated at equity	(6)	17	19
Earnings before interest and tax (EBIT)		373	371
Financial result	(7)	–2	–2
Earnings before tax (EBT)		371	369
Income taxes	(8)	–102	–109
Earnings after tax		269	260
Thereof			
Non-controlling interests	(9)	0	1
Profit attributable to shareholders of FUCHS PETROLUB SE		269	259
Earnings per share in €¹	(10)		
Ordinary share		1.93	1.86
Preference share		1.94	1.87

¹ Basic and diluted in both cases.

Statement of comprehensive income

in € million	2017	2016
Earnings after tax	269	260
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	-42	1
Shares in companies consolidated at equity	-7	-3
Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods		
Remeasurements of defined benefit pension commitments	7	-12
Deferred taxes on these amounts	-2	3
Total other comprehensive income	-44	-11
Total income and expenses for the period	225	249
Thereof		
Non-controlling interests	0	1
Profit attributable to shareholders of FUCHS PETROLUB SE	225	248

For further information, please refer to the notes under item 24. → [108 Pension provisions](#)

Balance sheet

in € million	Notes	Dec 31, 2017	Dec 31, 2016
Assets			
Intangible assets	(13)	287	317
Property, plant and equipment	(14)	471	427
Shares in companies consolidated at equity	(15)	37	38
Other financial assets	(16)	2	4
Deferred tax assets	(17)	23	27
Other receivables and other assets	(21)	1	1
Non-current assets		821	814
Inventories	(18)	366	325
Trade receivables	(19)	374	351
Tax receivables	(20)	7	4
Other receivables and other assets	(21)	22	23
Cash and cash equivalents	(22)	161	159
Current assets		930	862
Total assets		1,751	1,676
Equity and liabilities			
Subscribed capital		139	139
Group reserves		898	806
Group profits		269	259
Equity of shareholders of FUCHS PETROLUB SE		1,306	1,204
Non-controlling interests		1	1
Total equity	(23)	1,307	1,205
Pension provisions	(24)	26	35
Other provisions	(26)	4	3
Deferred tax liabilities	(17)	34	42
Financial liabilities		0	0
Other liabilities	(29)	3	4
Non-current liabilities		67	84
Trade payables	(25)	194	186
Other provisions	(26)	39	43
Tax liabilities	(27)	28	29
Financial liabilities	(28)	1	13
Other liabilities	(29)	115	116
Current liabilities		377	387
Total equity and liabilities		1,751	1,676

Statement of changes in equity

in € million	Outstanding shares (units)	Subscribed capital FUCHS PETROLUB SE	Capital reserves FUCHS PETROLUB SE
As at December 31, 2015 / January 1, 2016	139,000,000	139	97
Dividend payments			
Earnings after tax 2016			
Change in other comprehensive income			
As at December 31, 2016 / January 1, 2017	139,000,000	139	97
Dividend payments			
Earnings after tax 2017			
Change in other comprehensive income			
As at December 31, 2017	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 solely consist of remeasurements of defined benefit pension commitments. These amounts are included in the equity capital generated in the Group.

Changes in shareholders' equity are illustrated in the notes under item 23. → [107 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
	802	31	1,069	1	1,070
	-113		-113	-1	-114
	259		259	1	260
	-9 ²	-2	-11		-11
	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

Statement of cash flows

in € million	2017	2016
Earnings after tax	269	260
Depreciation, amortization and impairment of non-current assets	59	47
Change in non-current provisions and in other non-current assets (covering funds)	-2	-9
Change in deferred taxes	-4	1
Non-cash income from shares in companies consolidated at equity	-17	-19
Dividends received from companies consolidated at equity	12	18
Gross cash flow	317	298
Gross cash flow	317	298
Change in inventories	-55	-22
Change in trade receivables	-37	-28
Change in trade payables	14	28
Change in other assets and other liabilities (excluding financial liabilities)	4	23
Net gain/loss on disposal of non-current assets	-1	1
Cash flow from operating activities	242	300
Investments in non-current assets	-105	-93
Cash paid for shares in companies consolidated at equity	0	-2
Proceeds from the disposal of non-current assets	5	0
Cash paid for acquisitions	-2	-46
Cash acquired through acquisitions	0	5
Cash flow from investing activities	-102	-136
Free cash flow before acquisitions ¹	142	205
Free cash flow	140	164
Dividends paid for previous year	-123	-114
Repayment of financial liabilities	-11	-7
Cash flow from financing activities	-134	-121
Cash and cash equivalents as at Dec 31 of the previous year	159	119
Cash flow from operating activities	242	300
Cash flow from investing activities	-102	-136
Cash flow from financing activities	-134	-121
Effect of currency translations	-4	-3
Cash and cash equivalents at the end of the period	161	159

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

The paid taxes on income total €113 million (107). They are included in the cash flow from operating activities.

€2 million (3) was paid for interest. Interest payments received totaled €1 million (2).

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

→ [119 Notes to the statement of cash flows](#)

Segments¹

	Europe			Asia-Pacific, Africa			North and South America		
in € million	2017	2016	Change	2017	2016	Change	2017	2016	Change
Sales revenues by customer location	1,262	1,213	49	800	683	117	411	371	40
Sales revenues by company location	1,515	1,417	98	733	620	113	393	349	44
thereof with other segments	165	117	48	0	0	0	3	2	1
Scheduled amortization and depreciation	35	32	3	8	8	0	9	6	3
Impairment losses ²	6	0	6	0	0	0	0	0	0
EBIT before income from companies consolidated at equity	185	194	–9	119	110	9	65	62	3
Income from companies consolidated at equity	2	2	0	15	17	–2	0	0	0
Segment earnings (EBIT)	187	196	–9	134	127	7	65	62	3
Shares in companies consolidated at equity	3	3	0	34	35	–1	0	0	0
Additions to property, plant and equipment and intangible assets	53	50	3	39	18	21	12	24	–12
Additions from acquisitions	1	0	1	0	0	0	0	43	–43
Employees as at December 31 ³	3,349	3,253	96	1,085	1,062	23	647	612	35
Performance indicators									
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %	12.2	13.7		16.2	17.7		16.5	17.8	

¹ Part of the notes.

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

³ Including trainees. Prior-year figures adjusted accordingly.

	Holding including consolidation			FUCHS Group		
	2017	2016	Change	2017	2016	Change
	0	0	0	2,473	2,267	206
	-168	-119	-49	2,473	2,267	206
	-168	-119	-49	0	0	0
	1	1	0	53	47	6
	0	0	0	6	0	6
	-13	-14	1	356	352	4
	0	0	0	17	19	-2
	-13	-14	1	373	371	2
	0	0	0	37	38	-1
	1	1	0	105	93	12
	0	0	0	1	43	-42
	109	104	5	5,190	5,031	159
				14.4	15.5	

3.2 Notes on the consolidated financial statements

Basis of preparation

General information

The consolidated financial statements of FUCHS PETROLUB SE, Mannheim, as of December 31, 2017, 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, formerly the Standing Interpretations Committee SIC), applicable in the EU, that were required for the 2017 financial year, have been applied. No option for early adoption of new standards was used.

FUCHS PETROLUB SE is a European corporation (Societas Europaea) based in Mannheim and is registered with the District Court of Mannheim (commercial registration number: HRB 717394).

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, previous year figures have been adjusted if necessary.

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 14, 2018 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 20, 2018.

With reference to Section 264 (3) HGB, the following German companies did not apply the provisions contained in Sections 264 to 288 HGB (annual financial statements of corporations) and their disclosure:

- 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 2017 for the first time are outlined in the following section. The effects on the net assets, financial position and results of operations of the FUCHS Group are insignificant.

Amendments to IAS 7 – Statement of Cash Flows

The amendments improve information on changes of a company's indebtedness. The entity provides disclosures on changes in liabilities arising from financing activities, whose cash inflows and outflows are shown in cash flows from financing activities in the statement of cash flows. The associated financial assets are also included in the notes (e.g. assets from hedging transactions). Changes from financing cash flows, changes arising from the acquisition or sale of companies, changes from foreign exchange rates, changes in fair value and other changes are disclosed.

In a reconciliation statement, the Group discloses the changes between the figures from the opening and closing balances of the relevant financial liabilities in the notes to the statement of cash flows.

Amendments to IAS 12 – Income Taxes

These amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

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, only the amendments to IFRS 12 are to be applied from the 2017 financial year.

The following standards and amendments to standards and interpretations are – pending endorsement by the EU – binding from the financial year 2018 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 9 – Financial Instruments – mandatory application from January 1, 2018**

IFRS 9, which was published in July 2014, replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new expected credit losses model for the calculation of the impairment on financial assets and the new general hedge accounting requirements. It also contains guidelines for the recognition and derecognition of financial instruments included in IAS 39.

The Group will utilize the option not to adjust comparable information for previous periods in respect to changes of the classification and measurement (including impairment). All differences between the carrying amounts of financial assets and liabilities due to the application of IFRS 9 are recognized in retained earnings as of January 1, 2018.

From the current perspective, the Group does not expect any material transitional effects, either in terms of the classification of financial assets and liabilities or from the first-time application of the new model to recognize credit defaults to determine write-downs of trade receivables or other financial instruments. The new accounting standards for hedge transactions requiring pro-

spective application have no impact as 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 and all hedging instruments are recognized in profit or loss.

IFRS 15 – Revenue from Contracts with Customers – mandatory application from January 1, 2018

IFRS 15 Revenues 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 Group has decided to use the modified retrospective method in its consolidated financial statements in the transition to IFRS 15. Here the cumulated adjustment amounts are recognized as at January 1, 2018.

The Group has concluded its implementation project for accounting for revenues from contracts with customers to a large extent. With the existing guidelines, we do not expect any material changes to current practice.

Amendments to IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with Customers – mandatory application from January 1, 2018

These amendments clarify various requirements in IFRS 15 and provide transition relief. Beyond the clarifications, the amendments contain two further facilitations for reducing complexity and the cost of the transition to the new standard.

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

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. For the lessor accounting is comparable with the current standard.

IFRS 16 replaces the existing guidelines for leases.

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.

The Group has started with the assessment of the potential impact of applying IFRS 16 to its consolidated financial statements. 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.

Improvements to IFRS 2014 – 2016 – general mandatory application from January 1, 2018

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.

Standards not yet adopted by the EU

Amendments to IAS 9 – Financial Instruments

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

Amendments to IFRS 9 on Long-Term Interests 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 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.

Amendment to IAS 40 – Transfers of Investment Property

The change to IAS 40 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. Subject to endorsement by the EU, this amendment is applicable in the first reporting period of financial years starting on or after January 1, 2018. Early adoption is also permitted.

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, income or expense.

Subject to endorsement by the EU, this interpretation is applicable in the first reporting period of financial years starting on or after January 1, 2018. Early adoption is also permitted.

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 the accounting of current and deferred taxes. IFRIC 23 supplements the regulations in IAS 12 in respect to the consideration of uncertainties relating to income tax treatment of facts and transactions. Subject to endorsement by the EU, this interpretation is applicable in the first reporting period of financial years starting on or after January 1, 2019. Early adoption is also permitted.

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, 2017	37	19	9	65
Additions	1			1
Disposals				
Dec 31, 2017	38	19	9	66
Companies consolidated at equity				
Jan. 1, 2017/ Dec 31, 2017	1	4	0	5

All German and international subsidiaries are included in the consolidated financial statements of FUCHS PETROLUB SE, Mannheim, Germany. The year-end financial statements of the subsidiaries are prepared using the same reporting date as the consolidated financial statements (December 31). Most of these subsidiaries are wholly owned, as in the previous year. Shareholdings are disclosed in note 39.

→ [126 Shareholding](#)

The scope of consolidation is made up of 66 (65) companies in total, including the parent company. Changes to the basis of consolidation in 2017 are explained in the section below.

Changes in the scope of consolidation

Additions fully consolidated companies

	in %
FUCHS LUBRICANTS SRL, Romania (foundation)	100

Acquisitions

With effect from December 1, 2017, FUCHS acquired the lubricants business of LUBASYST in Romania and integrated it into

the newly established subsidiary, FUCHS Romania. LUBASYST is a long-standing partner of FUCHS. The main object of the acquisition was customer relationships and workforce. The LUBASYST business supplements other business FUCHS has in Romania, which is now bundled into the newly established FUCHS subsidiary in Romania. The purchase price was approximately €1 million.

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.

→ [91 Accounting policies](#)

→ [101 Intangible assets](#)

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.

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. Intercom-

pany 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, 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 reflected 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, 2017	Dec 31, 2016	Change in foreign currency in %
US dollar	1.199	1.052	–12.3
British pound	0.888	0.852	–4.1
Chinese renminbi yuan	7.807	7.304	–6.4
Australian dollar	1.538	1.461	–5.0
South African rand	14.856	14.449	–2.7
Polish zloty	4.181	4.405	5.4
Brazilian real	3.974	3.423	–13.9
Argentinean peso	22.334	16.688	–25.3
Russian ruble	69.220	64.429	–6.9
South Korean won	1,280.64	1,269.67	–0.9
Swedish krona	9.829	9.583	–2.5

Average annual exchange rate

€1	2017	2016	Change in foreign currency in %
US dollar	1.130	1.107	-2.0
British pound	0.876	0.819	-6.5
Chinese renminbi yuan	7.629	7.352	-3.6
Australian dollar	1.473	1.489	1.1
South African rand	15.036	16.276	8.2
Polish zloty	4.256	4.363	2.5
Brazilian real	3.608	3.861	7.0
Argentinean peso	18.747	16.332	-12.9
Russian ruble	65.891	74.188	12.6
South Korean won	1,276.34	1,284.66	0.7
Swedish krona	9.636	9.470	-1.7

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 2017 financial year, 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 taxes (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. EBIT also contains the earnings of companies consolidated at equity.

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.

→ [101 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.

Provisions for pensions and defined benefit assets

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.

→ [108 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.

→ [105 Deferred tax assets and liabilities](#)

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 realized upon delivery of the products and services, when all essential risks and opportunities have been transferred to the buyer. Sales revenues from services are recognized as soon as the respective service has been provided. The sales revenues also include fees for chemical process management services.

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 straightline 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. Useful lives of 13 (Chevron) and 12 (ULTRACHEM) years were applied to the customer relations acquired as part of the two acquisitions in 2016. For the two acquisition, PENTOSIN and SFR LUBRICANTS, in 2015, a useful life of ten years was applied to the customer relations and technologies acquired.

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. Straightline 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.

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.

Investments reported in other financial assets are measured at cost less any impairments, as these assets are unlisted shares in corporations for which the fair value cannot be determined reliably.

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.

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. Regularway purchases and sales of financial instruments are generally recognized on the settlement date. Derivatives are recognized on the day of trading.

Financial instruments can be broken down into the following measurement categories:

Financial assets

- Financial assets to be measured at fair value through profit and loss: At the FUCHS Group this category includes only derivatives (forward currency transactions) with a positive fair value. These are reported in other assets.
- Held-to-maturity investments: These include non-derivative financial assets with fixed or determinable payments with a fixed term that an entity intends and is able to hold to maturity and are not allocated to any of the other measurement categories. At the FUCHS Group, this category includes only securities with a maturity of less than three months. These are reported in cash and cash equivalents.

- **Loans and receivables:** These comprise financial assets with fixed or determinable payments, which are not quoted on an active market and are not derivatives or classified as available-for-sale. In addition to trade receivables, this category includes financial assets contained in other non-current financial assets and in other receivables and other assets. Initial measurement is done at fair value, which generally matches the nominal value of the receivable or loan. Interest-free and low-interest non-current loans and receivables are recorded at present value. Subsequent measurements are performed at amortized cost using the effective interest method.
- **Available-for-sale financial assets** comprise financial assets which are not derivatives and do not fall under any of the previously stated measurement categories. In the FUCHS Group there are no financial assets that fall under this category.

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 also include trade payables, bank liabilities and customer advance payments. These are recognized at amortized cost, which generally corresponds to the repayable amount.

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. 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.

If there is objective evidence for an impairment of a receivable or loan, an individual valuation adjustment is undertaken. When assessing the need for an impairment, 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. Impairment losses on financial instruments are recognized separately in an allowance account.

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

→ [114 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 2005G mortality tables by Prof. Dr. Klaus Heubeck.

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

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

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

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

Other provisions

Other provisions are recognized if there is an obligation to third parties resulting from a previous event which can be expected to lead to outflows of funds, the level of which can be reliably determined. They represent uncertain obligations which are recognized at best estimate levels to meet the respective obligation.

The values shown for provisions indicate those amounts which are required for covering future payment obligations, identifiable risks and uncertain liabilities of the Group. Possible price and cost increases are included in the measurement. If the amount of the provision can only be determined within a certain bandwidth, the most likely value is taken. In the case of equal probability, the mean average value is recognized. Non-current provisions with a remaining term of more than one year are discounted at market

interest rates which correspond to the risk and the time period up to completion. Claims for reimbursement against third parties are not offset against the provisions, but rather recognized as a separate asset, insofar as their realization is virtually certain.

Liabilities

Liabilities are 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.

this product group rose by 8.3% to €1,272 million (1,175). At 51.4% (51.8), this group represents the largest share of Group sales revenues.

Other products mainly include toll blending, chemical process management and trade activities. Its share rose by 12.8% or €8 million to €72 million (64).

The development of sales revenues by geographic region can be seen under segment reporting.

→ [84 Segments](#)

Notes to the income statement

1 Sales revenues

Sales revenues can be broken down by product group as follows:

→ [Sales revenues](#)

The product area automotive lubricants particularly include engine oils, gear oils and shock-absorber fluids. At €1,129 million (1,028), sales revenues in this group increased by 9.8%. Its share in Group sales revenues increased to 45.7% (45.4).

The industrial lubricants and specialties product group mainly comprises metal-working fluids, corrosion preventatives, hydraulic and gear oils, greases, and other specialties. Sales revenues in

2 Cost of sales

in € million	2017	2016
Cost of purchased raw materials, supplies, goods for resale and purchased services	1,431	1,272
Cost of materials	1,431	1,272
Staff costs	83	76
Depreciation and amortization of property, plant and equipment and intangible assets	23	19
Third-party services	22	19
Maintenance costs	14	13
Energy costs	10	10
Other costs	8	7
	1,591	1,416

Sales revenues

in € million	2017	Share in %	2016	Share in %	Change absolute	Change in %*
Automotive lubricants	1,129	45.7	1,028	45.4	101	9.8
Industrial lubricants and specialties	1,272	51.4	1,175	51.8	97	8.3
Other products	72	2.9	64	2.8	8	12.8
	2,473	100.00	2,267	100.00	206	9.1

* The change in % was calculated on the basis of absolute figures in € thousand.

3 Selling and distribution expenses

in € million	2017	2016
Staff costs	164	163
Freight	94	80
Travel expenses	14	14
Marketing costs	14	13
Commission payments	11	12
Third-party services	15	12
Rental and lease expenses	11	11
Depreciation and amortization of property, plant and equipment and intangible assets	19	17
Maintenance costs	4	4
Other taxes	2	2
Other costs	13	13
	361	341

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	2017	2016
Staff costs	70	64
Third-party services	12	13
Depreciation and amortization of property, plant and equipment and intangible assets	7	7
Audit and consultancy costs	6	6
Other taxes	4	3
Rental and lease expenses	4	4
Travel expenses	4	4
Maintenance costs	2	4
Other costs	12	12
	121	117

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	2017	2016
Income from		
Currency exchange gains	9	11
Reversal of provisions	4	5
Licenses and own work capitalized	2	3
Reversals of write-downs of receivables	6	2
Income from the disposal of fixed assets	1	0
Miscellaneous operating income	9	6
Other operating income	31	27
Currency exchange losses	10	9
Write-downs of receivables	2	3
Restructuring costs and severance payments	2	2
Losses from the disposal of fixed assets	0	1
Impairments on goodwill	6	0
Miscellaneous operating expenses	8	9
Other operating expenses	28	24
Other operating income and expenses	3	3

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

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

Impairment on goodwill relates to our subsidiary in Sweden. Please refer to note 13 for further information.

→ [101 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 and legal and litigation costs.

6 Income from companies consolidated at equity

The income from companies consolidated at equity includes the proportionate income of joint ventures and associates.

Income from companies consolidated at equity

in € million	2017	2016
Income from companies consolidated at equity	17	19

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

→ [104 Shares in companies accounted for using the equity method](#)

7 Financial result

in € million	2017	2016
Other interest and similar income		
Other (mainly banks)	1	2
Interest income	1	2
Interest and similar expenses		
Other (mainly banks)	-2	-3
Pension obligations		
Interest expense	-3	-3
Interest income from plan assets	2	2
Interest expenses	3	4
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	2017	2016
Current taxes	106	108
thereof Germany	46	45
thereof international	60	63
Deferred taxes	-4	1
thereof Germany	0	2
thereof international	-4	-1
Total	102	109

Current taxes comprise €1 million (2) 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 35.0% (39.0).

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	2017	in %	2016	in %
Earnings before tax (EBT)	371		369	
Expected tax expense	114	30.9	114	30.9
Taxation rate differences	-16	-4.3	-10	-2.7
Non-deductible expenses	4	1.1	4	1.1
Tax-free income	-1	-0.3	-1	-0.3
Income from companies consolidated at equity	-5	-1.4	-6	-1.6
Taxes for prior periods	-1	-0.3	-2	-0.6
Withholding taxes	5	1.4	9	2.4
Other	2	0.5	1	0.3
Reported tax expense	102	27.6	109	29.5

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 reconciliation statement in the tax rate differences and the reported tax expense. As a result the tax rate has declined.

The Other item contains €1 million effects from goodwill impairment of €6 million on which no deferred taxes were originally recognized.

The reported tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 27.6% (29.5). The Group's tax rate adjusted for income from companies consolidated at equity is 28.8% (31.1).

9 Non-controlling interests

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

10 Earnings per share

in € million	2017	2016
Profit attributable to shareholders of FUCHS PETROLUB SE	269	259
Earnings per ordinary share in €		
Earnings per share	1.93	1.86
Weighted average number of ordinary shares	69,500,000	69,500,000
Earnings per preference share in €		
Earnings per share	1.94	1.87
Weighted average number of preference shares	69,500,000	69,500,000

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

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

11 Other taxes

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

12 Staff costs / employees

Staff costs

in € million	2017	2016
Wages and salaries	290	279
Social security contributions and expenses for pensions and similar obligations	56	53
thereof for pensions	9	9
	346	332

Staff costs of €83 million (76) are attributable to cost of sales, €164 million (163) to selling and distribution expenses, €70 million (64) to administrative expenses and €29 million (29) to research and development expenses.

Pension expenses do not include the interest expense arising from pension provisions that is reported in the financial result, nor do they include any income from plan assets for financing pension obligations.

Number of employees

Annual average	2017	2016
Europe	3,329	3,239
Asia-Pacific, Africa	1,072	1,052
North and South America	636	599
Holding companies	110	100
Number of employees	5,147	4,990
thereof trainees	117	114

The average number of employees includes trainees. The prior-year figures were adjusted accordingly.

Notes to the balance sheet

13 Intangible assets

Development of intangible assets in 2017

Decin € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec 31, 2016	200	219	0	419
Currency 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 differences	-1	-3	0	-4
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

Development of intangible assets in 2016

in € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec 31, 2015	181	186	3	370
Currency differences	3	0	0	3
Additions from acquisitions	16	23	0	39
Additions	0	5	0	5
Disposals	0	0	0	0
Reclassifications	0	5	-3	2
Dec 31, 2016	200	219	0	419
Accumulated amortization				
Dec 31, 2015	15	71	0	86
Currency differences	0	0	0	0
Amortization	0	16	0	16
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Dec 31, 2016	15	87	0	102
Net value Dec 31, 2016	185	132	0	317

Goodwill of the cash-generating units

Overview of the goodwill

in € million	2017	2016
FUCHS CORPORATION, USA (subgroup)	86	92
FUCHS SCHMIERSTOFFE GMBH (incl. merged DEUTSCHE PENTOSIN-WERKE GMBH), Germany	43	43
13 other (previous year: 12) cash-generating units	44	50
Goodwill	173	185

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 2018 and the plan years 2019 and 2020, 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 infla-

tion-based growth. The impairment tests performed for FUCHS CORPORATION, USA, and FUCHS SCHMIERSTOFFE GMBH, are based on the assumption of a long-term, country-specific growth rate of 0.5% (0.5).

The discount rate is a weighted average cost of capital (WACC), which is made up of the costs of borrowed capital and equity capital weighted with the capital structure. The shareholders' equity costs are determined from 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 7.0% (7.0) to 13.0% (13.0) after taxes were applied, taking into account country-specific risks. A weighted cost of capital of 7.0% (7.0) after taxes was taken into account in the impairment tests performed for FUCHS CORPORATION, USA, and FUCHS SCHMIERSTOFFE GMBH.

In the 2017 financial year, 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 (0) were taken. At €48 million, the recoverable amount for this cash-generating unit was below the carrying amount. 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 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) was used.

Impairments are reported in other operating expenses.

Sensitivity calculations were made to account for assessment uncertainties. Here a 20% reduction of future cash flows was assumed. Based on previous experience we believe that larger variations are unlikely. Exclusively for the Swedish subsidiary this sensitivity analysis would result in an additional impairment requirement of €6 million on the remaining goodwill.

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 three years have a residual book value of around €74 million (85). Their remaining useful life is generally between 8 and 11 years (between 9 and 12 years).

Advance payments on intangible assets

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

14 Property, plant and equipment**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 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 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

Additions in 2017 are essentially related to the locations in Germany, Australia, China and the USA.

Development of property, plant and equipment in 2016

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, 2015	265	288	131	29	713
Currency differences	0	-1	-2	1	-2
Additions from acquisitions	3	1	0	0	4
Additions	14	18	11	45	88
Disposals	-5	-2	-2	0	-9
Reclassifications	3	7	1	-13	-2
Dec 31, 2016	280	311	139	62	792
Accumulated depreciation					
Dec 31, 2015	83	172	93	0	348
Currency differences	-1	-3	-2	0	-6
Scheduled depreciation	7	15	9	0	31
Impairment losses	0	0	0	0	0
Disposals	-5	-1	-2	0	-8
Reclassifications	0	0	0	0	0
Dec 31, 2016	84	183	98	0	365
Net value Dec 31, 2016	196	128	41	62	427

15 Shares in companies consolidated at equity

This item is made up of 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, 2017 prepared in accordance with the respective national legislation and adapted in line with the requirements of IFRS.

Please refer to the list of shareholdings under note 39 for information on the composition of joint ventures and associates.

→ [126 Shareholding in accordance](#)

The following table shows the development of shares in companies accounted for using the equity method:

Shares in companies consolidated at equity

in € million	2017	2016
Carrying amount of shares in companies consolidated at equity on January 1	38	39
Pro rata earnings after tax	17	19
Pro rata dividends received	-12	-18
Pro rata income and expenses recognized outside profit or loss	-6	-2
Carrying amount of shares in companies consolidated at equity on December 31	37	38

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

Carrying amount and summarized earnings of joint ventures

in € million	2017	2016
Carrying amount of joint ventures accounted for using the equity method	25	23
Earnings after taxes	15	14
Pro rata earnings after tax	7	7
Pro rata other comprehensive income	–4	–3
Pro rata comprehensive income after tax	3	4

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	2017	2016
Carrying amount of associates accounted for using the equity method	12	15
Earnings after taxes	31	41
Pro rata earnings after tax	10	12
Pro rata other comprehensive income	–2	0
Pro rata comprehensive income after tax	8	12

16 Other financial assets

in € million	2017	2016
Investments in companies	1	1
Other loans	1	3
	2	4

In accordance with their financing nature, the non-current portion of the receivables relating to delivery agreements in France of €1 million (2) 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	
	2017	2016	2017	2016
Property, plant and equipment	1	1	13	15
Other non-current assets	2	3	25	34
Inventories	11	10	0	0
Other current assets	2	3	1	1
Non-current provisions	12	16	1	1
Other non-current liabilities	0	0	7	7
Current provisions and liabilities	9	11	1	1
Expected use of losses carried forward	0	0	0	0
Total deferred tax assets/liabilities	37	44	48	59
Tax offset	–14	–17	–14	–17
Total assets/liabilities	23	27	34	42

The total amount of deferred tax assets of €23 million (27) 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 (42) 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 (5). €2 million (4) 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 €7 million (7) was recognized for future tax charges associated with planned dividend payments from foreign subsidiaries. In addition, there are other retained earnings at subsidiaries of €442 million (431) which are to remain invested permanently and consequently will not result in a deferred tax liability.

The change in the net amount of deferred taxes was €4 million (–2) in the year under review. Taking into account deferred taxes for the 2017 financial year, which are recognized outside profit or loss and result from the allocation of pension obligations of €–2 million (3) as well as net opening amounts in the balance sheet of €0 million (–4) from acquisitions, income (previous year: expenses) from deferred taxes of €–4 million (1) were 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, 2017	Dec 31, 2016
Raw materials and supplies	144	128
Work in progress	23	22
Finished goods and merchandise	199	175
	366	325

Write-downs of inventories totaling €0 million (2) 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 €4 million (4).

19 Trade receivables

in € million	Dec 31, 2017	Dec 31, 2016
Receivables due from customers	371	349
Receivables due from joint ventures and associates	3	2
	374	351

Write-downs of trade receivables developed as follows:

Development of write-downs

in € million	2017	2016
Impairments as of January 1	17	18
Currency translation effects	–1	0
Additions	1	2
Utilization	–1	–1
Reversals	–5	–2
Impairments as of December 31	11	17

The table below reflects the extent of credit risks connected with trade receivables:

Receivables by maturity

in € million	Dec 31, 2017	Dec 31, 2016
Receivables neither overdue nor impaired	324	305
Overdue receivables that are not impaired:		
less than 30 days	37	34
30 to 60 days	8	8
61 to 90 days	3	3
91 to 180 days	2	3
181 to 360 days	2	2
more than 360 days	0	0
Total of overdue receivables	52	50
Minus collectively assessed allowances	–4	–5
Impaired receivables, gross	9	12
Minus individually assessed allowances	–7	–11
Trade receivables	374	351

20 Current tax receivables (income tax)

This item comprises tax refund claims which are mainly attributable to Argentinian, French, Italian, Swedish and American income taxes.

21 Other receivables and other assets**Other current receivables and assets**

in € million	Dec 31, 2017	Dec 31, 2016
Receivables due from joint ventures and associates	0	0
Other taxes	6	4
Sundry other assets	16	19
	22	23

At €3 million (3), other taxes mainly include VAT receivables.

The Group's sundry other assets include the current portion of customer loans of €1 million (2) in connection with delivery agreements in France. The non-current portion of these loans is reported in other non-current financial assets. In addition to this, other assets include forward currency transactions with positive fair values of €0 million (0). Other assets also include advance rental payments, prepaid expenses, refund claims, and other customer loans, and receivables from other sales. Total impairments of €3 million (4) 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 €161 million (159) comprise bank deposits, cash in hand, checks and bills of exchange not yet presented, and securities of €41 million (30) 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.

Issued 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 shares

	Dec 31, 2017	Dec 31, 2016
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 2018 Annual General Meeting: €0.90 per ordinary share entitled to dividend payments and €0.91 per preference share entitled to dividend payments. Dividends of €0.88 per ordinary share and €0.89 per preference share were paid in 2017.

Non-controlling interests

This item contains the equity and earnings of consolidated subsidiaries attributable to non-controlling interests. The €1 million (1) attributable to non-controlling interests relate to shareholders in 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.

→ [80 Statement of changes in equity](#)

In Germany, measurement is based on the following assumptions:

Valuation assumptions Germany

in %	2017	2016
Discount rate	1.8	1.5
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 %	2017	2016
Discount rate	From 0.9 to 7.5	From 0.9 to 8.8
Average discount rate	2.4	2.3
Salary trend	From 1.5 to 9.0	From 1.5 to 8.0
Average salary level trend	2.3	2.0
Pension trend	From 0.1 to 5.0	From 0.1 to 3.2
Average pension level trend	2.3	3.2

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, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Present value of benefit obligations financed by funds in Germany	74	79	69	74	58
Present value of benefit obligations financed by funds outside Germany	54	54	49	47	63
Present value of benefit obligations financed by provisions in Germany	1	1	5	1	1
Present value of benefit obligations financed by provisions outside Germany	7	6	6	5	4
Total defined benefit obligations	136	140	129	127	126
Fair value of plan assets in Germany	64	63	58	57	57
Fair value of plan assets outside Germany	47	43	38	34	53
Funding status	25	34	33	36	16
Similar obligations	1	1	0	0	0
Net obligation as of December 31	26	35	33	36	16
Disclosures in the balance sheet:					
Pension provision	26	35	33	36	16

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, 2017, 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:

Development present value of benefit obligations

in € million	2017	2016
Present value as of January 1	140	129
Currency effects	-2	-8
Changes in the basis of consolidation	0	0
Current service cost	3	2
Interest expense	3	3
Remeasurements		
Actuarial gains (losses) due to financial assumptions	-1	19
Actuarial gains due to demographic assumptions	-1	0
Actuarial gains from experience adjustments	-1	0
Benefits paid	-5	-4
Income from plan amendments (Great Britain)	0	-1
Present value as of December 31	136	140
Netting with plan assets	111	106
Funding status	25	34
Similar obligations	1	1
Pension provisions as of December 31	26	35

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, 2017 (December 31, 2016):

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 (-6)	-5 (-5)	-10 (-11)
Decrease by 0.5 percentage points	6 (6)	5 (6)	11 (12)
Change in anticipated wage/salary developments			
Increase by 0.25 percentage points	0 (0)	2 (1)	2 (1)
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 (2)	2 (3)
Decrease by 0.25 percentage points	-1 (-2)	-1 (-1)	-2 (-3)

As of December 31, 2017, the weighted average term of defined benefit obligations was 14.6 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	2017	2016
Fair value as of January 1	106	96
Currency effects	-1	-5
Interest income from plan assets	2	2
Current contributions	5	10
Benefits paid	-5	-4
Remeasurements		
Actuarial gains due to financial assumptions	4	7
Fair value as of December 31	111	106

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 2017 was based on the discount rate of 1.5% (2.2). The actual return on plan assets calculated was 5.7% (0.6). 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.

Asset classes of the plan assets

	Dec 31, 2017			Dec 31, 2016		
in € million	Market price quotation in an active market	No market price quotation in an active market	Total	Market price quotation in an active market	No market price quotation in an active market	Total
Insurance policies		64	64		63	63
Equity instruments	36		36	34		34
Debt instruments	11		11	9		9
Fair value of plan assets	47	64	111	43	63	106

The plan assets in Great Britain comprise equity instruments and debt instruments. The return on plan assets was based on an average rate of 2.7 % (3.9). The actual return on plan assets averaged 9.1 % (25.9).

Total current contributions of €4 million (5) are budgeted for 2018 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.

58 % (60) 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 10 % (8) 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 €17 million (15) and are made up of the following components:

Total pension expenses

in € million	2017	2016
Current service cost	3	2
Interest expense	3	3
Interest income from plan assets	-2	-2
Income from plan amendments (Great Britain)	0	-1
Expenses for defined benefit pension plans	4	2
Expenses for defined contribution pension plans	13	13
Total pension expenses	17	15

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, 2017	Dec 31, 2016
Trade payables	187	180
Bills payable	2	2
Advance payments received	5	4
	194	186

26 Other provisions

Current provisions

Current provisions mainly consist of the following:

Current provisions

in € million	Dec 31, 2017	Dec 31, 2016
Credit notes and bonuses	11	10
Environmental obligations	8	8
Warranty	1	1
Costs for preparing the annual financial statements	1	1
Restructuring and redundancy payments	1	1
Compensation of the Supervisory Board	1	1
Other obligations	16	21
	39	43

Current provisions developed as follows:

→ [Development of current provisions](#)

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 contractual risks, premium payment obligations, legal and litigation costs, provisions for transfer taxation risks in Brazil, and other obligations and delimitations 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 life-time working accounts. For the long-term accounts set up, the provisions measured at their settlement value of €7 million (6) are netted against the corresponding fair value of assets of €7 million (6) (acquisition costs of €7 million – previous year €6 million). In the income statement, expenses and income of €1 million (1) each were offset against each other.

Development of current provisions

in € million	Dec 31, 2016	Currency exchange differences	Additions	Utilization	Reversals	Dec 31, 2017
Credit notes and bonuses	10	0	10	9	0	11
Environmental obligations	8	0	1	0	1	8
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	1	1	0	1
Compensation of the Supervisory Board	1	0	1	1	0	1
Other obligations	21	-1	16	17	3	16
	43	-1	30	29	4	39

Development of non-current provisions

in € million	Dec 31 2016	Currency exchange differences	Additions	Utilization	Reversals	Dec 31 2017
Other non-current provisions	3	0	1	0	0	4

27 Current tax liabilities

This item includes total liabilities for income taxes of €28 million (29). This year-on-year decrease is mainly attributable to the decline in tax provisions in China.

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, 2017	Dec 31, 2016
Obligations for personnel and social expenses	47	52
Fair value of derivative financial instruments	1	1
Social security	6	6
VAT liabilities	13	12
Other tax liabilities	10	10
Liabilities due to associates	0	0
Other liabilities	38	35
	115	116

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 €5 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

At €8 million (9), the item "Securing third-party liabilities" refers mainly to "garagiste" loans. Under this business model, 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.

Contractual obligations for the purchase of property, plant and equipment amounted to €42 million (36) as of December 31, 2017. This increase primarily relates to the construction of a new plant in China.

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, 2017 structured by maturity terms are as follows:

Maturities

in € million	Dec 31, 2017	Dec 31, 2016
Up to 1 year	14	12
1 to 5 years	18	16
More than 5 years	2	3
Total of minimum leasing payments	34	31

Rental and lease payments totaled €19 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 figures reported in other receivables and other assets or other liabilities in the consolidated balance sheet do not fully meet the criteria of IFRS 7. In particular, tax receivables and tax liabilities are not based on contractual agreements and are therefore not regarded as financial instruments.

In the case of trade receivables, other receivables and other assets, cash and cash equivalents and financial liabilities, trade payables and other liabilities, the carrying amount of financial instruments largely corresponds to the fair value.

Regarding the measurement categories of IAS 39, the category of loans and receivables includes the carrying amounts of trade receivables and in part other receivables and other assets contained in the balance sheet.

Carrying amounts of trade payables, financial liabilities and miscellaneous other financial liabilities belong to the category of financial liabilities measured at amortized cost.

The category of held-to-maturity financial instruments includes the carrying amounts of securities with a maturity of less than three months which are included in cash and cash equivalents.

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	2017	2016
Financial assets and financial liabilities at fair value through profit and loss	0	- 1
Loans and receivables	4	- 1
Financial liabilities measured at cost	0	0

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	2017	2016
Total interest income	1	2
Total interest expenses	-2	-3

The interest from these financial instruments is reported in the Group's financial result.

d) Information on derivative financial instruments

The objective of using derivative financial instruments is to hedge interest rate and currency risks. In light of the Group's low level of gross financial debt – taking cash and cash equivalents into account, the Group is in a net cash position – the Group's strategy does not involve entering into fixed interest rate agreements or making use of any other interest hedging methods. For this reason no derivatives were concluded to hedge interest rate risks, as in the previous year. The table below shows derivative financial instruments in place at the end of the reporting period for hedging currency risks and sorted by their time to maturity.

→ [# Nominal values of 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 contracts 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.

The fair values of the derivative financial instruments were as follows:

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

Fair value as of December 31, 2016

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	55	-1	-1	0
Total derivatives	55	-1	-1	0

Management of risks from financial instruments

Due to its international business activities, the FUCHS Group is exposed to numerous risks from financial instruments. In particular, these include credit risks, e.g. those inherent to trade receivables, and market risks, e.g. changes in foreign exchange rates, interest rates and commodity prices. In addition, liquidity risks may arise due to these risks, due to the operating business and because of sudden fluctuations in the financial markets.

Nominal values of derivative financial instruments for hedging currency risks

in € million	Dec 31, 2017				Dec 31, 2016			
	Up to 1 year	1–5 years	More than 5 years	Total	Up to 1 year	1–5 years	More than 5 years	Total
Forward currency transactions	58	0	0	58	55	0	0	55
Nominal volume of derivatives	58	0	0	58	55	0	0	55

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.

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 cash and cash equivalents be placed only at banks with an excellent credit standing (Standard & Poor's/Moody's/Fitch short-term rating of A1/P1/F1 or higher).

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 (5) 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). → [106 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 €1 million (13) in lines of credit already utilized, the Group also had access to other free lines of credit of €186 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 interest from the recognized financial liabilities as of December 31, 2017 affect the Group's liquidity situation (non-discounted):

Maturities of contractual cash flows from financial liabilities as of December 31, 2017

in € million	Total	2018	2019	2020	2021	2022	≥ 2023
Financial liabilities incl. interest	1	1	0	0	0	0	0
Derivative financial instruments	1	1	0	0	0	0	0
Trade payables	194	194	0	0	0	0	0
Other financial liabilities	36	36	0	0	0	0	0
Total	232	232	0	0	0	0	0

Maturities of contractual cash flows from financial liabilities as of December 31, 2016

in € million	Total	2017	2018	2019	2020	2021	≥ 2022
Financial liabilities incl. interest	13	13	0	0	0	0	0
Derivative financial instruments	1	1	0	0	0	0	0
Trade payables	186	186	0	0	0	0	0
Other financial liabilities	33	33	0	0	0	0	0
Total	233	233	0	0	0	0	0

In comparison to the previous year, financial liabilities declined by €1 million to €232 million (233). 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 €161 million (159) and €186 million (186) in free lines of credit. In addition, the Group has current trade receivables of €374 million (351) 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.

→ [108 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 the holding company, 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 comprises a large number of Group companies located outside the euro zone. 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	2017	in %	2016	in %
Indian rupee	1	100	2	13
Brazilian real	0	0	5	41
US dollar	0	0	6	46
	1	100	13	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 agreements 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, 2017	Carrying amount Dec 31, 2016
Short-term loans in INR	Variable interest rate	< 1 year	1	2
Short-term loans in BRL	Variable interest rate	< 1 year	0	5
Short-term loans in USD	Variable interest rate	< 1 year	0	6
			1	13

Summary of interest rate hedging periods

Interest rate hedging periods

in € million	2017	in %	2016	in %
Up to 1 year	1	100	13	100
1 to 5 years	0	0	0	0
More than 5 years	0	0	0	0
	1	100	13	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** for FUCHS 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, 2017 would have had no (€0.1 million) reducing effect on the financial result – 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 (2).

Further notes to the consolidated financial statements

32 Notes to the statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the FUCHS Group have changed in the year under review as a result of cash inflows and outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified and presented into operating activities, investing activities or financing activities.

Cash and cash equivalents as shown in the statement of cash flows comprise the cash and cash equivalents reported in the balance sheet. Beside cash and cash equivalents in the more literal sense, i. e. checks, cash on hand and bank deposits, this item also includes current investments which can be converted into cash amounts at any time and are only subject to insignificant changes in value. Cash and cash equivalents are measured at amortized cost.

Cash flows from operating activities are calculated indirectly based on earnings after taxes. 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.

→ [# 120 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 cash acquired through acquisitions.

Reconciliation statement in accordance with IAS 7

in € million	Cash-effective		Non-cash changes			Disclosure in the balance sheet Dec 31, 2017
	Disclosure in the balance sheet Dec 31, 2016	In cash flow from financing activities	Acquisitions/ changes in the scope of consolidation	Currency effects	Changes of fair value	
Financial liabilities	13	-11	0	-1	0	1

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.

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	2017	2016
Sales revenues		
Companies in Germany	633	631
Companies in North America (mainly in the USA)	336	294
Companies in China	412	333
Other companies	1,092	1,009
Total	2,473	2,267
Non-current assets (intangible assets and property, plant and equipment)		
thereof goodwill		
Companies in Germany	48	48
Companies in North America (mainly in the USA)	86	92
Other companies	39	45
Total	173	185
thereof other intangible assets and property, plant and equipment		
Companies in Germany	228	221
Companies in North America (mainly in the USA)	99	109
Companies in China	52	42
Other companies	206	187
Total	585	559

The overall development of segments shows the figures for the year under review and the corresponding figures of the previous year. The statement shows sales revenues and the respective segment earnings (EBIT) as key performance indicators for each geographic region.

→ [84 Segments](#)

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	2017	2016
Total segment earnings (EBIT)	373	371
Financial result	–2	–2
Income taxes	–102	–109
Consolidated earnings after tax	269	260

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. → [97 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,
- and pension funds benefiting the Group's employees.

The controlling company is RUDOLF FUCHS GMBH & CO. KG.

FUCHS PETROLUB SE provides services to the related companies RUDOLF FUCHS GMBH & CO. KG, RUDOLF FUCHS KAPITALANLAGEGESELLSCHAFT MBH, and FUCHS INTEROIL GMBH, 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 €3 million (2) relating to supplies and services in addition to other receivables of €0 million (0) from companies consolidated at equity. Liabilities amount to €0 million (0).

The value of goods delivered in 2017 to companies consolidated at equity was €14 million (14), while other operating income was €1 million (1).

No consultant contracts are in place with any members of the Executive Board or Supervisory Board. The two staff representatives of the Supervisory Board were granted €0.2 million (0.2) for their work as employees in addition to their compensation as members of the Supervisory Board.

For more information on pension plans, please refer to note 24.

→ [108 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 nor any company associated with it.” As the independent auditor of FUCHS PETROLUB SE, KPMG AG 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

Dr. Dr. h.c. Manfred Fuchs

Former Chairman of the Executive Board of
FUCHS PETROLUB SE

Dr. Erhard Schipporeit

Former member of the Executive Board of E.ON SE

Dr. Susanne Fuchs

MBA

Horst Münkel*

Chairman of Group Works Council and
Deputy Chairman of the SE Works Council
Chairman of the Joint Works Council of
FUCHS SCHMIERSTOFFE GMBH

Ingeborg Neumann

Managing Partner
Peppermint Holding GmbH

Lars-Eric Reinert*

Director of Operations at the Harvey plant,
FUCHS LUBRICANTS CO.

* Employee representatives.

Chairman

Supervisory Board mandates:

- BASF SE, Chairman
- Daimler AG
- TRUMPF GmbH + Co. KG, Chairman

Comparable domestic or foreign supervisory committees:

- Nyxoah SA (until December 31, 2017)

Deputy Chairman (until May 5, 2017)

Honorary Chairman (since May 5, 2017)

Deputy Chairman (since May 5, 2017)

Supervisory Board mandates:

- BDO AG Wirtschaftsprüfungsgesellschaft
- Deutsche Börse Aktiengesellschaft
- Hannover Rück SE
- Innogy SE (since January 01, 2018)
- RWE Aktiengesellschaft
- SAP SE
- Talanx Aktiengesellschaft

Member (since May 5, 2017)

Member

Member

Supervisory Board mandates:

- Scienion AG

Comparable domestic or foreign supervisory committees:

- Berliner Wasserbetriebe AöR

Member

Executive Board

Stefan Fuchs

Chairman

Supervisory Board mandates:

- TRUMPF GmbH + Co. KG

Dr. Lutz Lindemann

Member

Dr. Timo Reister

Member

Dr. Ralph Rheinboldt

Member

Group mandates:

- FUCHS SCHMIERSTOFFE GMBH, Chairman

Dagmar Steinert

Member, Chief Financial Officer

Group mandates:

- FUCHS SCHMIERSTOFFE GMBH

Supervisory Board mandates:

- ZF Friedrichshafen AG (since December 15, 2017)

Compensation for members of the Executive Board

in € thousand	2017	2016
Compensation of the Executive Board	8,162	8,063
thereof fixed compensation	2,882	2,875
thereof variable compensation	5,280	5,188
Pension expenses for pension commitments to active members of the Executive Board	797	692
Former members of the Executive Board		
Total compensation of former board members	541	539
Balance of pension obligations and plan assets	2,018	3,014

The balance of pension obligations and plan assets of €2,018 thousand (3,014) for former members of the Executive Board results from the existing plan assets of €9,309 thousand (9,220), minus pension obligations of €11,327 thousand (12,234).

Compensation for members of the Supervisory Board

Compensation for members of the Supervisory Board totaled €777 thousand (771).

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.

→ [68 Compensation report for members of the Executive Bodies](#)

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 of the Declaration of Compliance can be found on page 67 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 KPMG worldwide:

Fees and service of the auditor

in € million	2017	2016
Audit fees	1.9	1.8
Audit-related fees	0.1	0.1
Tax fees	0.1	0.1
All other fees	0.0	0.1
Total	2.1	2.1

Of this, in Germany audit fees of €0.5 million (0.4) for the annual financial statements and none (0.1) for other services and expenses from KPMG AG 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. Other audit-related fees related to contractually agreed audits. Other services include activities in connection with IT security.

Around €0.1 million (0.1) of the audit fees is attributable to non-recurring audit services in connection with project-related examination in introducing new accounting principles and the implementation of SAP.

38 Events after the reporting period

No significant events occurred after the reporting period.

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

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2017 ²	Consolidation ³
I. AFFILIATED COMPANIES				
GERMANY				
BREMER & LEGUIL GMBH, Duisburg ⁴	100	0	35	F
FUCHS FINANZSERVICE GMBH, Mannheim ⁴	100	85	0	F
FUCHS LUBRITECH GMBH, Kaiserslautern ⁴	100	5	134	F
FUCHS SCHMIERSTOFFE GMBH, Mannheim ⁴	100	95	726	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	13	34	F
FUCHS LUBRICANTS DENMARK ApS, Copenhagen/Denmark	100	4	11	F
FUCHS LUBRICANTS ESTONIA OÜ, Tallinn/Estonia	100	0	1	F
FUCHS OIL FINLAND OY, Vaasa/Finland	100	1	4	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre/France	99,7	21	117	F
FUCHS LUBRITECH S.A.S., Ensisheim/France	100	3	10	F
FUCHS HELLAS S.A., Athens/Greece	97,4	1	5	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	37	144	F
FUCHS LUBRITECH INTERNATIONAL (UK) LTD., Stoke-on-Trent/Great Britain	100	0	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	70	F
FUCHS MAZIVA D.O.O., Samobor/Croatia	100	2	5	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	11	24	F
FUCHS AUSTRIA SCHMIERSTOFFE GMBH, Thalgau/Austria	70	3	18	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gleiwitz/Poland	100	50	101	F
FUCHS LUBRIFICANTES UNIPESOAAL LDA., Moreira-Maia/Portugal	100	3	11	F
FUCHS LUBRICANTS SRL, Bukarest/Romania	100	0	0	F
OOO FUCHS OIL, Moscow/Russia	100	24	53	F
FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden (subgroup)	100	41	85	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	2	9	F
FUCHS MAZIVA LSL D.O.O., Krško/Slovenia	100	1	3	F

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2017 ²	Consolidation ³
FUCHS LUBRICANTES S.A.U., Castellbisbal/Spain	100	22	61	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Stráncice/Czech Republic	100	4	15	F
TOV FUCHS MASTYLA UKRAINA, Lviv/Ukraine	100	4	13	F
FUCHS OIL HUNGARIA KFT, Budaörs/Hungary	100	2	7	F
ASIA-PACIFIC, AFRICA				
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia (subgroup)	100	60	150	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	72	260	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	45	194	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai/India	100	12	26	F
PT FUCHS INDONESIA, Jakarta/Indonesia	100	4	6	F
PT FUCHS LUBRICANTS INDONESIA, Jakarta/Indonesia	100	0	9	F
FUCHS JAPAN LTD., Tokyo/Japan	100	3	10	F
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	8	23	F
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam/Malaysia	100	2	6	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	3 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	6	72	F
FUCHS SOUTHERN AFRICA (PTY.) LTD., Johannesburg/South Africa	100	39	18	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	2	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	12	F
FUCHS LUBRIFICANTES DO BRASIL LTDA., City of Barueri, State of São Paulo/Brazil	100	9	42	F
PENTOSIN DO BRASIL LTDA., São Paulo/Brazil	100	3	0	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	9 ⁵	26 ⁵	F
LUBRICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro/Mexico	100	10 ⁵	33 ⁵	F
PROMOTORA FUCHS S.A. DE C.V., Querétaro/Mexico	100	0 ⁵	3 ⁵	F
FUCHS CORPORATION, Dover, Delaware/USA (subgroup)	100	178	339	F
FUCHS LUBRICANTS CO., Harvey, Illinois/USA	100	145 ⁵	274 ⁵	F
ULTRACHEM INC., New Castle, Delaware/USA	100	19 ⁵	15 ⁵	F

Name and registered office of the company (in € million)	Share in equity (in %) ¹	Equity ²	Sales revenues in 2017 ²	Consolidation ³
II. JOINT VENTURES				
MOTOREX AG LANGENTHAL, Langenthal/Switzerland	50	6	28	E
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir/Turkey	50	44	76	E
III. ASSOCIATES				
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia	32	55	163	E
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	5	10	E
FUCHS OIL MIDDLE EAST LTD., Sharjah/United Arab Emirates	50	7	23	E
IV. OTHER COMPANIES IN WHICH THE GROUP HOLDS AN INTEREST (PERCENTAGE OF SHARES HELD > 5%)				
GVÖ Gebinde-Verwertungsgesellschaft der Mineralölwirtschaft mbH, Hamburg/Germany	11.4			
NIPPECO LTD., Tokyo/Japan	11			

¹ Share of FUCHS PETROLUB SE, including 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, 2017, while the accumulated average annual exchange rate of 2017 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.

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 14, 2018
FUCHS PETROLUB SE

Executive Board

S. Fuchs

D. Steinert

Dr. L. Lindemann

Dr. R. Rheinboldt

Dr. T. Reister

Note: this is a translation of the German original. Solely the original text in German language is authoritative.

3.4 Independent auditor's report¹

To FUCHS PETROLUB SE, Mannheim

Report on the audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of FUCHS PETROLUB SE and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2017, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year from January 1, 2017, to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Combined Management Report at FUCHS PETROLUB SE for the financial year from January 1, 2017, to December 31, 2017. In accordance with the German legal requirements we have not audited the content of the combined non-financial statement and the corporate governance statement as well as the other information which are included in the Combined Management Report and are identified as unaudited.

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 Section 315e (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, 2017, and of its financial performance for the financial year from January 1, 2017, to December 31, 2017, and
- the accompanying Combined Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Combined 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 opinion on the Combined Management Report does not cover the content of the above mentioned components of the Combined Management Report.

Pursuant to Section 322 (3) 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 Combined Management Report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Combined Management Report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Combined 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, 2017, to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of goodwill

For information about the accounting policies applied, please refer to the explanations in the section of the notes entitled "Significant discretionary decisions, estimates and assumptions". The assumptions used as the basis for measurement and information about the performance of the impairment test are included in item 13 of the notes.

→ [101 Intangible assets](#)

Financial statement risk

Goodwill of €173 million is reported in the consolidated financial statements of FUCHS PETROLUB SE under the line item "Intangible assets" in the balance sheet. Recoverability of goodwill is

¹ This is a translation of the German original. Solely the original text in German language is authoritative.

assessed once a year and additionally if there are indications of a potential impairment at the level of the cash-generating units, which are generally formed by subsidiaries. FUCHS PETROLUB SE determines the recoverable amount which is primarily the value in use on the basis of a discounted cash flow model. In the financial year 2017, goodwill impairment of €6 million has been recorded for the cash-generating unit FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, as a result of declining sales from exports to Eastern Europe and revised assumptions on production utilization for exports. The remaining goodwill for FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, amounts to €6 million.

The impairment test for goodwill is complex and based on a number of judgemental assumptions. The key assumptions for determining the recoverable amount are future cash inflow projections in the detailed planning period, the growth rate assumed for subsequent periods and capital costs. In the impairment test for the cash-generating unit FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, anticipated cost savings from the scheduled switch-over of production from a rented plant to the company's own new plant and expected cash outflows for completion of the new plant were additional key assumptions that had a significant impact on the amount of impairment for the goodwill allocated to this cash-generating unit. If the anticipated cost savings at FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, are not generated as the Executive Board envisages or the budgeted cash inflows do not materialize, additional impairment charges may be required. The Executive Board's growth expectations are subject to risks and discretionary, and may be revised on the basis of volatile prices in the procurement markets and trends in country-specific sales markets.

For the financial statements there is a risk that the amount of goodwill impairment at the reporting date has not been recognized adequately. There is also a risk that the related notes are inappropriate or incomplete.

Our audit approach

Our audit was based on a risk-oriented approach. A focal point of our analysis was on the cash-generating unit FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, on the basis of impairment recorded in the financial year 2017. First, we assessed the method

for determining the recoverable amount and the consistency of the valuation model with the accounting policies to be applied. We satisfied ourselves of the appropriateness of the method used to derive the amount and of the adequacy of the weighted average cost of capital (WACC). To do this, we compared the assumptions and parameters underlying the WACC (such as risk-free interest rate, market risk premium and beta factor) with our own assumptions and publicly available information.

We also assessed whether the plans underlying the valuation adequately take into account expected developments in each of the sales markets and are in line with the current budgets prepared by the Executive Board and approved by the Supervisory Board. We compared the budgets that had been approved at Group level with the plans of the subsidiaries and assessed their appropriateness. Focusing on the cash-generating units with material goodwill and the cash-generating unit FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden, we assessed the appropriateness of the assumptions made with regard to future sales and margins. For cash-generating units selected on a risk-oriented basis, we assessed the planning accuracy of the past based on a comparison of the plans for previous financial years with sales and earnings actually generated. To take into account existing forecast uncertainty, we further assessed potential changes in earnings on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the company's calculations.

To ensure the mathematical accuracy of the valuation model used, we reproduced the calculations of FUCHS PETROLUB SE on the basis of selected risk-focused factors.

Finally we assessed whether the notes on recoverability of goodwill are appropriate. This also included an assessment as to the completeness and appropriateness of the disclosures in the notes pursuant to IAS 36.130 with respect to the recognized impairment.

Our Observations

The valuation model used as the basis for goodwill impairment testing is appropriate and consistent with the accounting policies to be applied. The assumptions and parameters used as the basis for measurement are appropriate overall.

The related notes are appropriate and complete.

Other information

The Management is responsible for the other information. The other information comprises:

- the combined non-financial statement and the corporate governance statement as well as the other information which are included in the Combined Management Report and are identified as unaudited, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Combined Management Report and our auditor's report.

Our opinions on the consolidated financial statements and on the Combined Management Report do not cover the other information, and consequently we do not express an 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 Combined Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management is 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 Section 315e (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 management is 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 management is 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 management is responsible for the preparation of the Combined 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 management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Combined 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 Combined 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 Combined Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the Combined 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 opinions on the consolidated financial statements and on the Combined Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 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) 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 Combined 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 Combined 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 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 Combined Management Report in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the management and the reasonableness of estimates made by the management and related disclosures.
- conclude on the appropriateness of the management's 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 Combined Management Report or, if such disclosures are inadequate, to modify

our respective 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 Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Combined Management Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the Combined 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 management in the Combined Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management 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 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 the Audit Committee 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 the audit committee 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 the Audit Committee, 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 5, 2017. We were engaged by the Audit Committee on September 4, 2017. We have been the Group auditor of the FUCHS PETROLUB SE without interruption since the financial year 1991.

We declare that the 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 Hans-Dieter Krauß.

Mannheim, March 14, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

gez. Krauß	gez. Herbel
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[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 2018 Annual General Meeting:

Proposal for the appropriation of profits

in €

Distribution of a dividend of €0.90 for each ordinary share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	62,550,000.00
Distribution of a dividend of €0.91 for each preference share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	63,245,000.00
Unappropriated profit (HGB) of FUCHS PETROLUB SE	125,795,000.00

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 taxes."

EBIT margin

Earnings before interest and taxes (EBIT) in relation to sales revenue.

EBT

Abbreviation for "earnings before taxes."

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 the 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," proportionate 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 internal and external providers of equity and debt.

IAS/IFRS

Abbreviation for International Accounting Standards. Accounting principles intended to guarantee international harmonization and comparability of financial statements and disclosure. Abbreviation for International Financial Reporting Standards: They replaced the "International Accounting Standards" (IAS) since 2001. FUCHS PETROLUB has compiled its consolidated financial statements in line with IAS/IFRS since 2002. They are prepared by an international committee, the International Accounting Standards Board (IASB).

Income from companies consolidated at equity

Proportional net profit from joint ventures and associated companies that are included in the consolidated financial statements using the equity method.

Joint ventures

Enterprises managed jointly with other companies, where each company has an equal share.

MDAX

Stock index of German companies with a medium market capitalization. The MDAX, which comprises 50 companies, is the second value segment after the DAX (30 companies with a high market capitalization). The FUCHS PETROLUB 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 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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You can also access and download all financial reports of FUCHS PETROLUB SE on our website.

www.fuchs.com/group



Financial calendar

Dates 2018

March 21	Annual report 2017
April 27	Quarterly statement as at March 31, 2018
May 8	Annual General Meeting, Mannheim
May 9	Swiss information event Zurich, Switzerland
July 31	Half-year financial report as at June 30, 2018
October 30	Quarterly statement as at September 30, 2018

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

Annual General Meeting 2018

The Annual General Meeting takes place on Tuesday, May 8, 2018, 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 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 precisely 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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Results of operations										
Sales revenues (by company location)	2,473	2,267	2,079	1,866	1,832	1,819	1,652	1,459	1,178	1,394
Germany	633	631	569	517	533	517	491	418	346	429
International	1,840	1,636	1,510	1,349	1,299	1,302	1,161	1,041	832	965
Cost of sales	1,591	1,416	1,288	1,173	1,142	1,153	1,047	892	721	906
Gross profit	882	851	791	693	690	666	605	567	457	488
in % of sales revenues	35.7	37.5	38.1	37.2	37.7	36.6	36.6	38.9	38.8	35.0
Earnings before interest and tax (EBIT)	373	371	342	313	312	293	264	250	180	172
in % of sales revenues	15.1	16.4	16.5	16.8	17.0	16.1	16.0	17.1	15.3	12.3
Earnings after tax	269	260	236	220	219	207	183	172	121	110
in % of sales revenues	10.9	11.5	11.4	11.8	11.9	11.4	11.1	11.8	10.3	7.9
Assets/equity and liabilities										
Balance sheet total	1,751	1,676	1,490	1,276	1,162	1,109	985	894	746	704
Shareholders' equity	1,307	1,205	1,070	916	854	782	658	546	393	315
Equity ratio	74.6	71.9	71.8	71.7	73.5	70.5	66.8	61.0	52.7	44.8
Cash and cash equivalents	161	159	119	202	175	144	79	92	90	19
Financial liabilities	1	13	18	16	8	9	14	20	58	124
Net liquidity	160	146	101	186	167	135	65	72	32	-105
Pension provisions	26	35	33	36	16	26	16	74	84	71
FUCHS Value Added (FVA)										
FUCHS Value Added (FVA)	250	257	246	230	222	208	186	183	117	110
Cash flow/investments/ research and development										
Cash inflow from operating activities ¹	242	300	281	255	221	203	89	133	206	60
Cash outflow from investing activities ¹	-102	-136	-219	-67	-71	-63	-30	-55	-25	-52
thereof acquisitions	-2	-41	-170	-22	0	-1	0	-31	-5	-11
Free cash flow	140	164	62	188	150	140	59	78	181	8
Investments in property, plant and equipment and intangible assets	105	93	50	52	70	61	36	32	30	47
Depreciation of property, plant and equipment and intangible assets (scheduled)	53	47	39	30	28	27	26	23	20	19
Research & development expenses	47	44	39	33	31	29	28	25	22	23

FUCHS Group

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employees²										
Number of employees (average)	5,147	4,990	4,368	4,052	3,846	3,754	3,646	3,534	3,587	3,864
Germany	1,521	1,488	1,314	1,213	1,180	1,143	1,086	1,010	1,003	1,073
in %	29.6	29.8	30.1	29.9	30.7	30.4	29.8	28.6	28.0	27.8
International	3,626	3,502	3,054	2,839	2,666	2,611	2,560	2,524	2,584	2,791

FUCHS Shares

Amounts in €

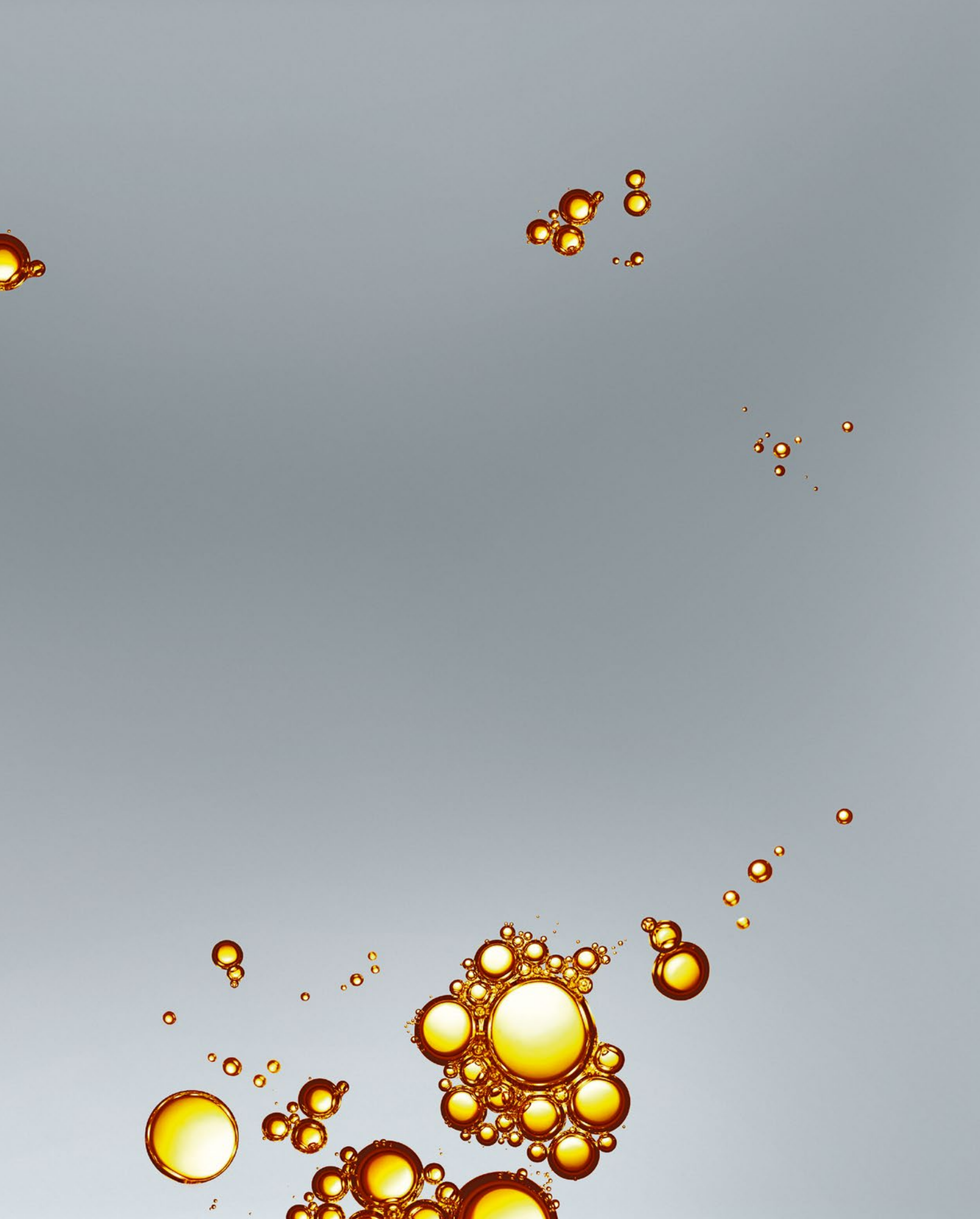
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Earnings per share ³	Ordinary	1.93	1.86	1.69	1.57	1.53	1.45	1.28	1.20	0.85	0.74
	Preference	1.94	1.87	1.70	1.58	1.54	1.46	1.29	1.21	0.86	0.75
Dividend per share ^{3,4}	Ordinary	0.90	0.88	0.81	0.76	0.69	0.64	0.49	0.44	0.28	0.26
	Preference	0.91	0.89	0.82	0.77	0.70	0.65	0.50	0.45	0.29	0.27
Dividend distribution (in € million) ⁴		126	123	113	106	97	92	70	63	40	37
Share buyback (in € million)		0	0	0	76	22	0	0	0	6	67
Stock exchange prices on December 31 ³	Ordinary	40.37	36.95	37.69	31.74	30.90	26.50	15.06	16.45	10.11	6.52
	Preference	44.25	39.88	43.50	33.30	35.52	28.10	16.91	18.48	10.80	5.67

¹ From 2013 on, dividends received from companies consolidated at equity are shown under cash flow from operating activities (previous investing activities).

² For 2017 and 2016 including trainees.

³ Prior-year figures adjusted for capital measures (bonus shares, share splits, increases in capital stock) to provide better comparability.

⁴ Dividend proposal for 2017.



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