

# FUCHS GROUP

## In Motion

- | Investor Presentation, August 2017
- | Reiner Schmidt, Member of the Group Management Committee
- | Thomas Altmann, Head of Investor Relations



# Agenda

**01 | The Leading Independent Lubricants Company**

**02 | H1 2017**

**03 | Shares**

**04 | Appendix**

# 01 The Leading Independent Lubricants Company



# FUCHS at a glance

Established **3**  
generations ago as a  
family-owned business

**No. 1**  
among the indepen-  
dent suppliers of  
lubricants

The Fuchs family  
owns **54%** of  
ordinary shares

**2.3** bn euro  
sales

~ **5,000**  
employees

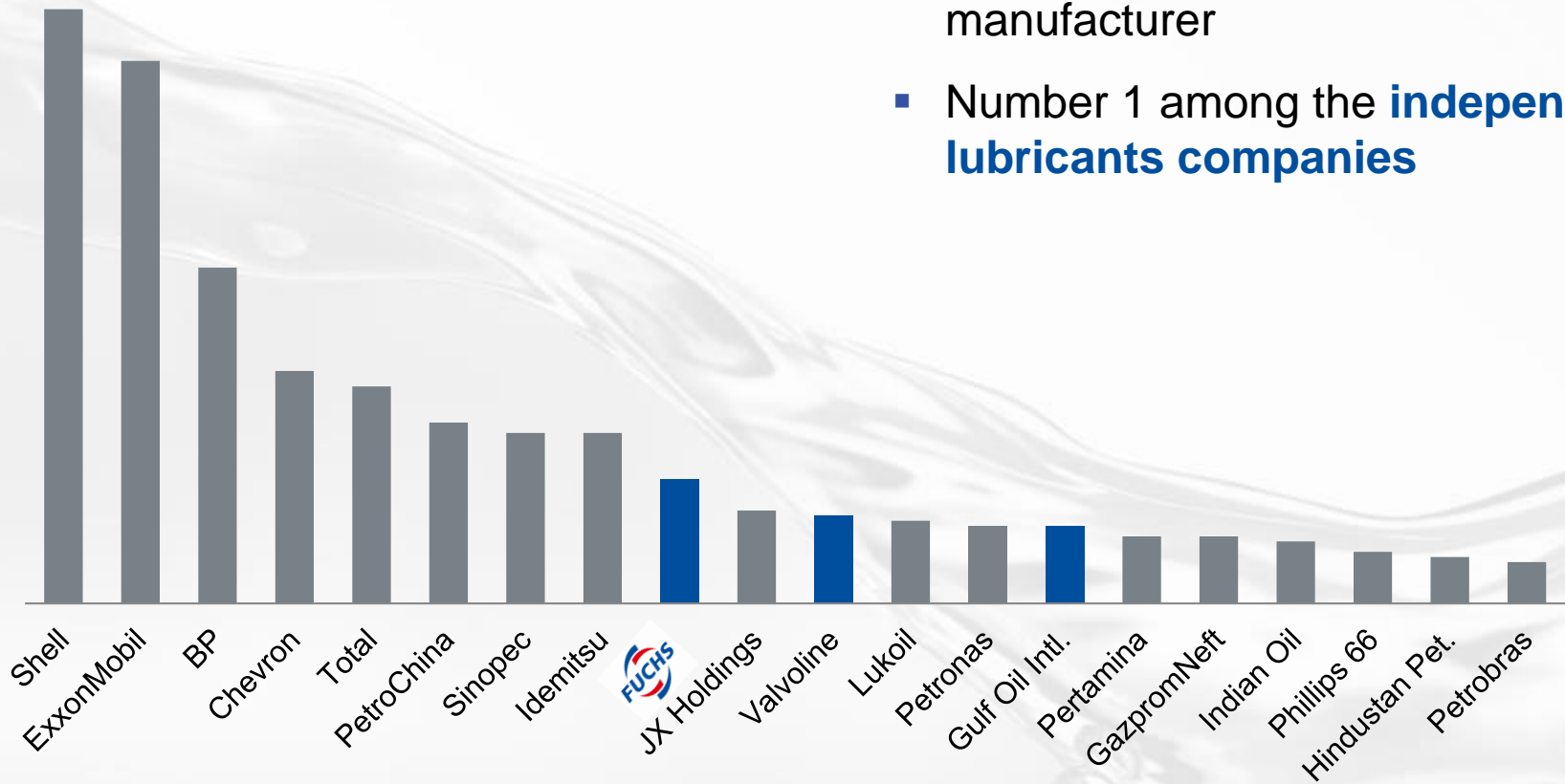
Preference share is  
listed in the MDAX

**57** operating  
companies  
worldwide

A full range  
of over

**10,000**  
lubricants and  
related specialties

# Top 20 lubricants manufacturers 2016



- A top-10 ranking lubricants manufacturer
- Number 1 among the **independent lubricants companies**

# Our unique business model is the basis for our competitive advantage

## Technology and innovation leadership in strategically important product areas

FUCHS is fully focussed on lubricants

Independency allows reliability, customer & market proximity (responsiveness and flexibility) and continuity



**Advantage over  
major oil companies**

FUCHS is a full-line supplier

Global presence, R&D strength, know-how transfer, speed



**Advantage over  
independent companies**

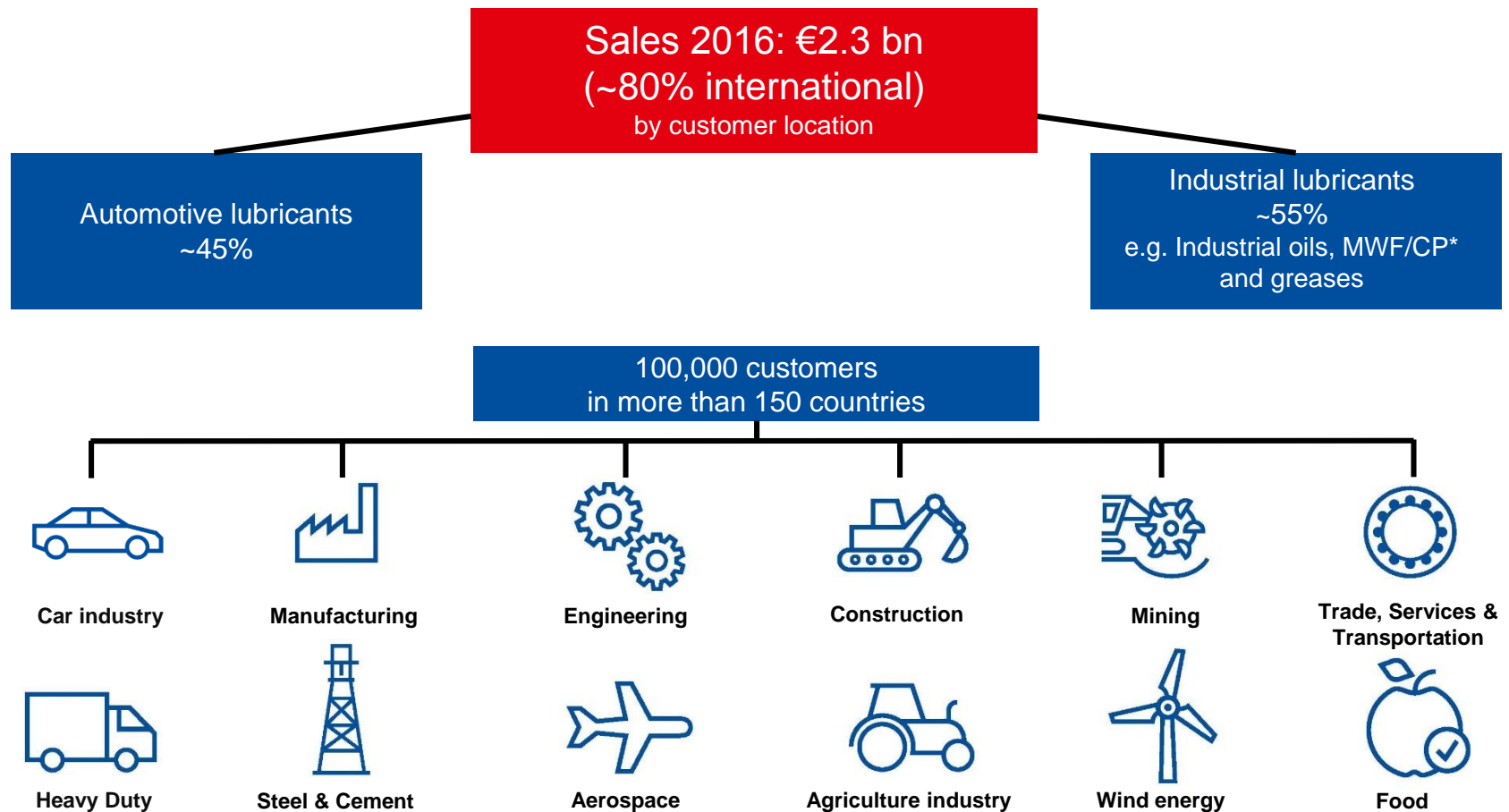
## We are where our customers are



**57 Operating Companies**  
**34 Production Sites**



# Full-line supplier advantage

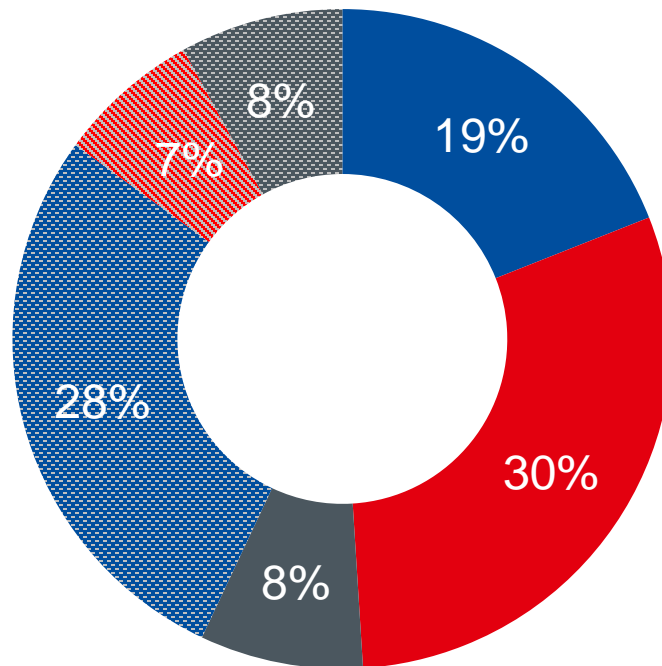


\*metalworking fluids/corrosion preventives



# Well balanced customer structure

## FUCHS sales revenues 2016: €2.3 bn

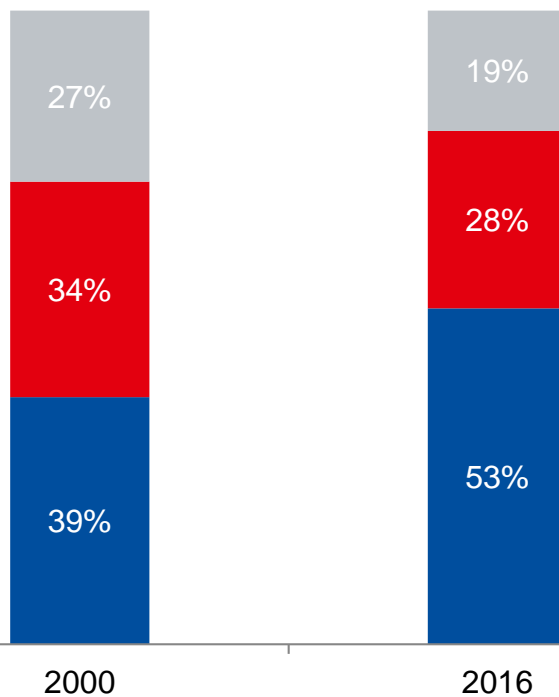


- Industrial goods manufacturing
- Vehicle manufacturing
- Energy and mining
- Trade, transport and services
- Agriculture and construction
- Engineering/ machinery construction

# Organic growth potential in emerging countries

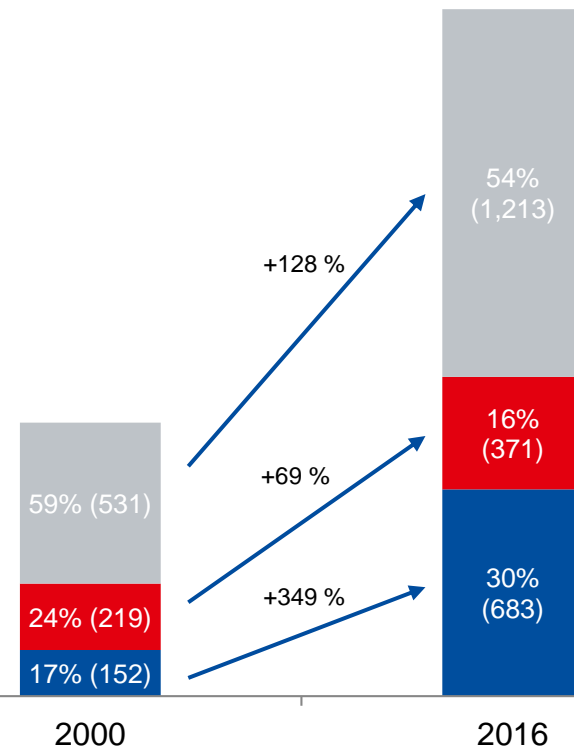
## Market Demand

36.4 mn t  $\xrightarrow{-2\%}$  35.7 mn t



## FUCHS Sales (by customer location)

€ 902 mn  $\xrightarrow{+151\%}$  € 2,267 mn



# Challenges & Opportunities

**Global Networked & Agile  
Company**

**Profitable  
Growth**

**Structures**

**Digitali-  
zation**

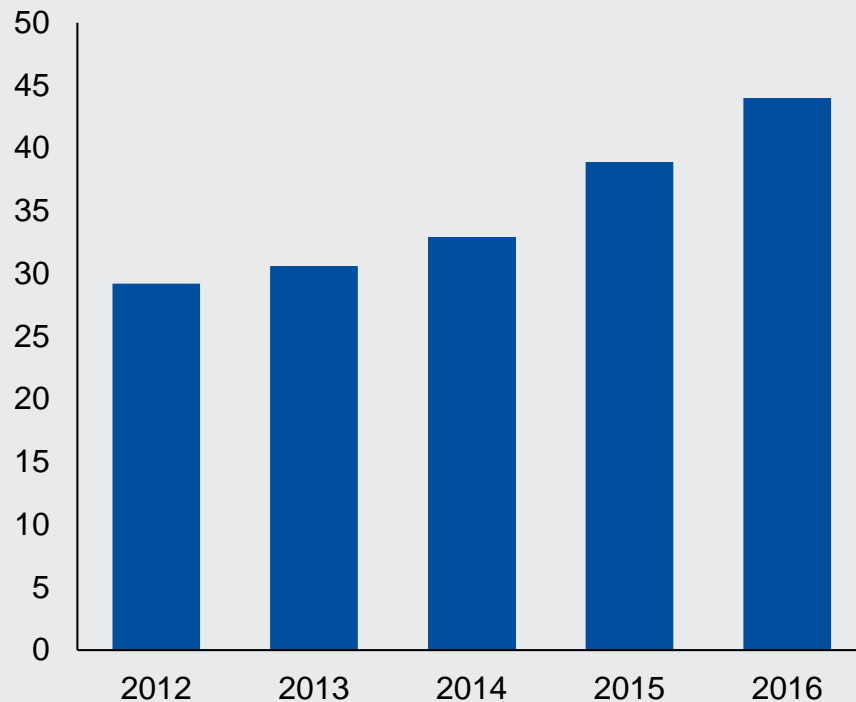
**e-mobility**

# Investment in the future

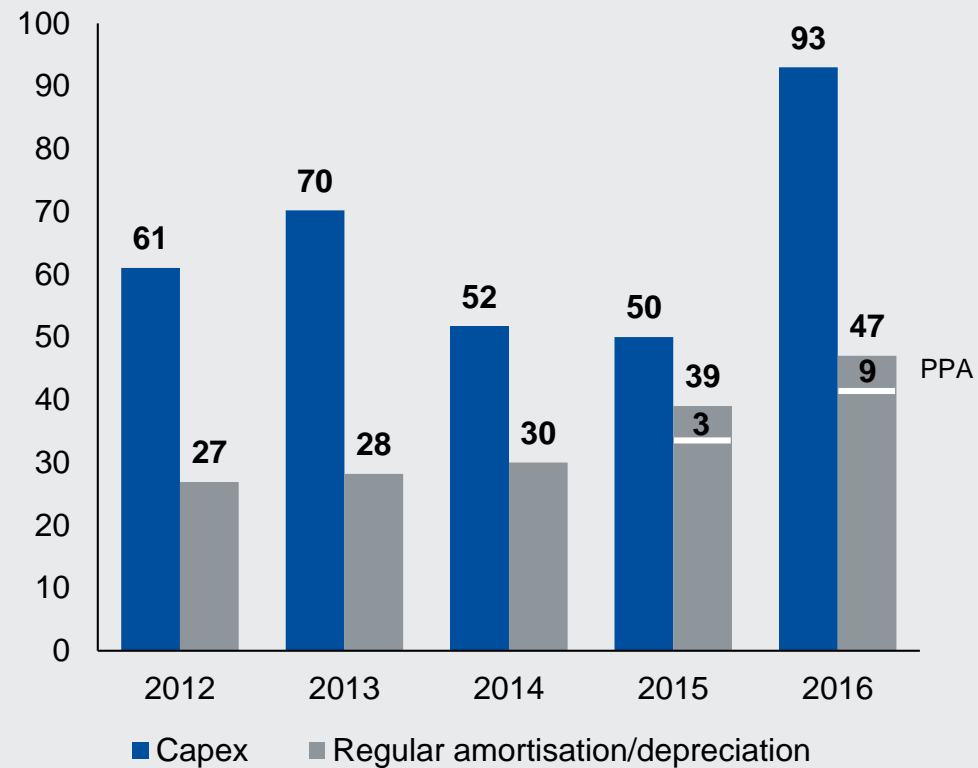
R&D, capex, amortisation & depreciation

R&D expenses 2016: €44 mn

€ mn



Capex 2016: €93 mn



# Investments 2016 - 2018

## Planned investments of €300mn (~ €100mn p.a.)

- Expansion of the Mannheim site, Germany (2016-2018)
- Expansion of the Kaiserslautern site, Germany (2017)
- Expansion of the Chicago site, USA (2016-2018)
- New plant in WuJiang, China (2017-2018)
- New plants in Australia and Sweden (2016-2018)

~ 50% of planned investments is maintenance capex

# FUCHS' 3C grease commitment

- Globally identical production equipment
- Globally identical finishing equipment
- Globally identical quality control test devices
- Globally similar raw materials
- Globally identical quality standards



# Strong track record of integrating businesses

			Revenues (p.a.)
2016		Ultrachem (US)	€ 15 mn
		Chevron Lubricants (US)	€ 11 mn
2015		Statoil Fuel & Retail Lubricants AB (SVE)	€140 mn
		Deutsche Pentosin-Werke GmbH (GER)	€135 mn
2014		Lubritene (ZA)	€ 15 mn
		Batoyle (UK)	€ 15 mn
2010		Cassida (global)	€ 21 mn



**02** H1 2017



**Sales +10%**  
**to €1,247 mn**

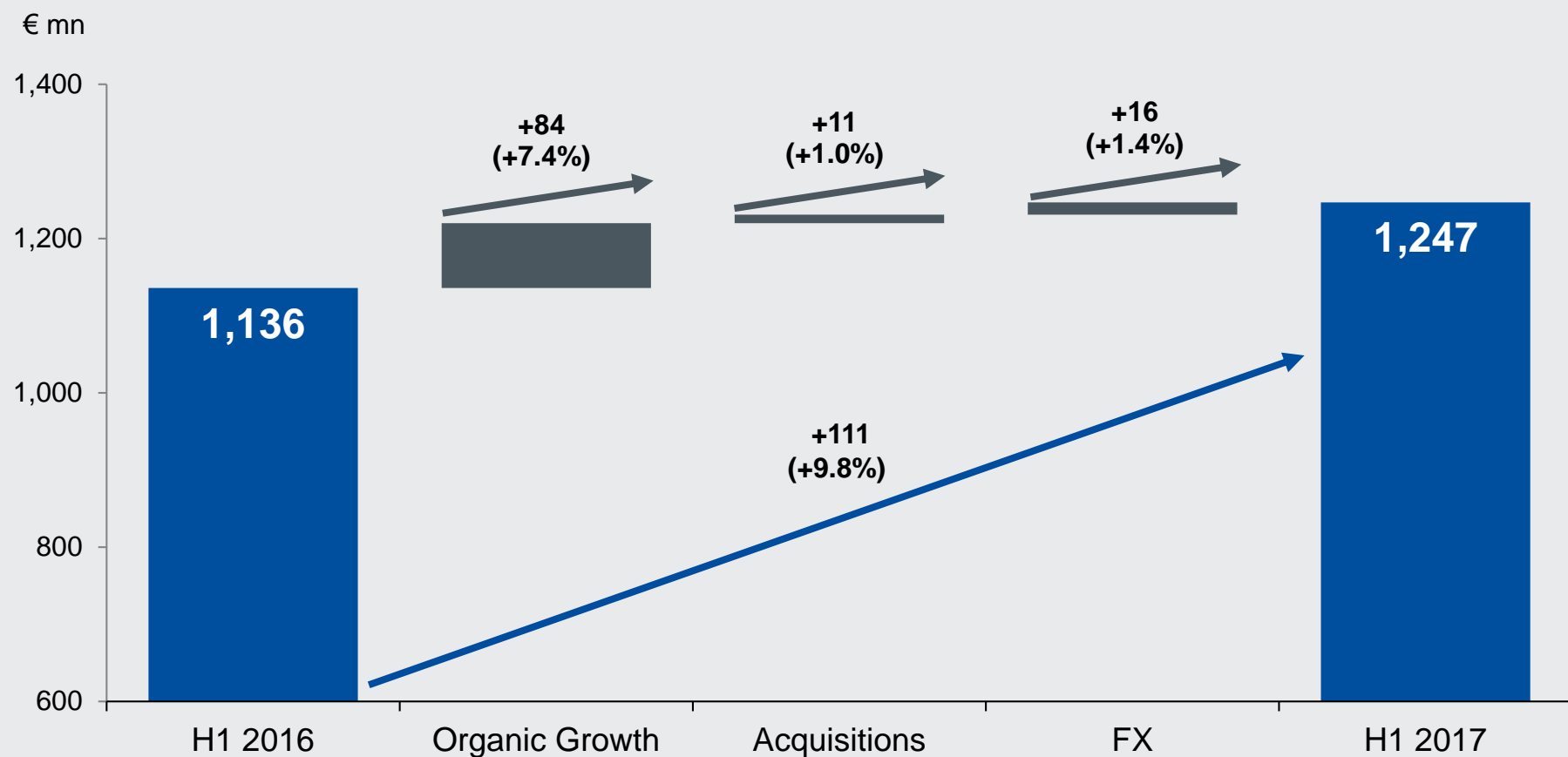
- Organic growth in all regions
- Slight external growth in North America
- Decreasing tailwind from FX

**EBIT +4%**  
**to €190 mn**

**Outlook 2017**  
**updated**

- Sales outlook raised
- EBIT outlook reaffirmed

# H1 Group Sales



# Regional sales growth H1 2017

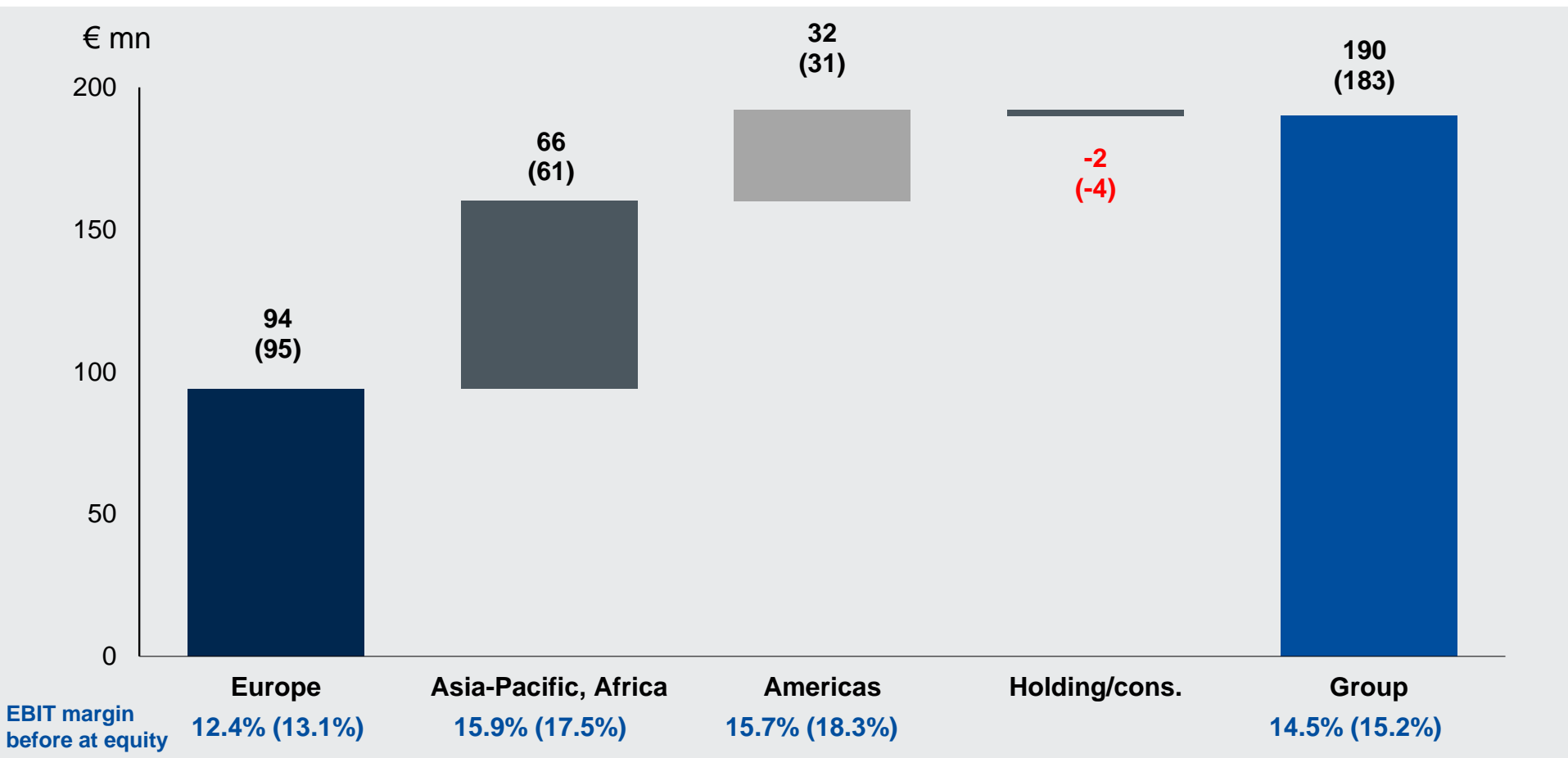
	H1 2016 (€ mn)	H1 2017 (€ mn)	Growth	Organic	External	FX
Europe	721	751	+4.2%	+4.4%	-	-0.2%
Asia-Pacific, Africa	298	363	+21.8%	+18.9%	-	+2.9%
Americas	172	205	+19.0%	+7.7%	+6.4%	+4.9%
Consolidation	-55	-72	-	-	-	-
<b>Total</b>	<b>1,136</b>	<b>1,247</b>	<b>+9.8%</b>	<b>+7.4%</b>	<b>+1.0%</b>	<b>+1.4%</b>

# Income Statement H1 2017

€ mn	H1 2016	H1 2017	Δ € mn	Δ in %
<b>Sales</b>	<b>1,136</b>	<b>1,247</b>	<b>111</b>	<b>9.8</b>
Gross Profit	427	452	25	5.8
<i>Gross Profit margin</i>	37.6%	36.2%	-	-1.4%-points
Other function costs	-254	-271	-17	6.9
<b>EBIT before at Equity</b>	<b>173</b>	<b>181</b>	<b>8</b>	<b>4.2</b>
At Equity	10	9	-1	-4.1
<b>EBIT</b>	<b>183</b>	<b>190</b>	<b>7</b>	<b>3.8</b>
Earnings after tax	127	134	7	5.5

# EBIT by regions

H1 2017 (H1 2016)



# Cash flow H1 2017

€ mn	H1 2016	H1 2017
<b>Earnings after tax</b>	<b>127</b>	<b>134</b>
Amortisation/Depreciation	23	26
Changes in net operating working capital (NOWC)	-46	-67
Other changes	0	1
Capex	-32	-41
<b>Free cash flow before acquisitions</b>	<b>72</b>	<b>53</b>
Acquisitions	-20	-1
<b>Free cash flow</b>	<b>52</b>	<b>52</b>



# H1 2017 earnings summary

- Earnings targets met and sales targets exceeded
- Higher costs as a result of our growth initiative
- Increasing raw material prices can only be passed on with a time lag
- Solid free cash flow

# Updated Outlook 2017

Sales Outlook raised, EBIT outlook reaffirmed

Performance indicator	Actual 2016		Outlook 2017
Sales	€ 2,267 mn	↑	+7% to +10% (was +4% to +6%)
EBIT	€ 371 mn	↑	+1% to +5%
FUCHS Value Added	€ 257 mn	↑	Low single-digit percentage range
Free cash flow before acquisitions	€ 205 mn		~ € 200 mn

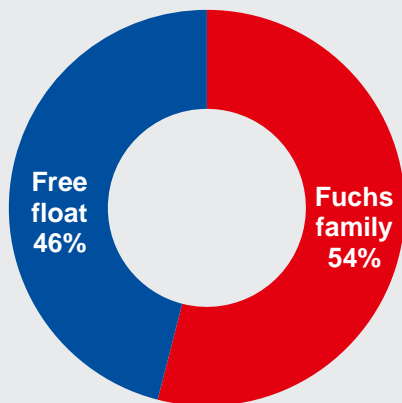
## 03 Shares



# Breakdown ordinary & preference shares

(June 30, 2017)

## Ordinary shares



Basis: 69,500,000 ordinary shares

### Characteristics:

- Dividend
- Voting rights

## Preference shares

*MDAX-listed*



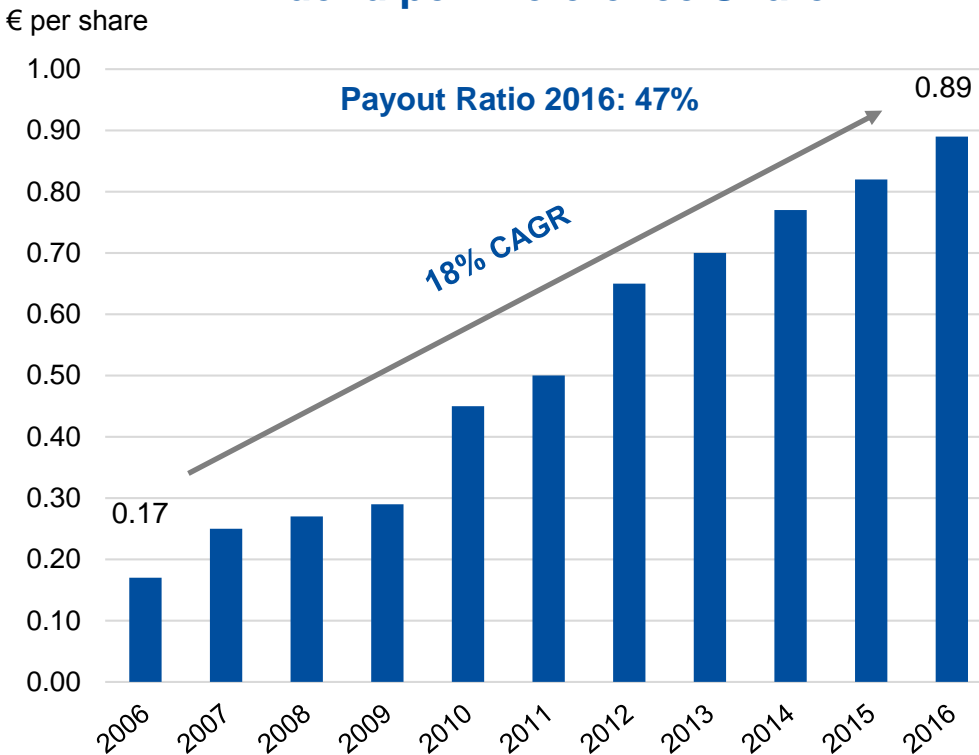
Basis: 69,500,000 preference shares

### Characteristics:

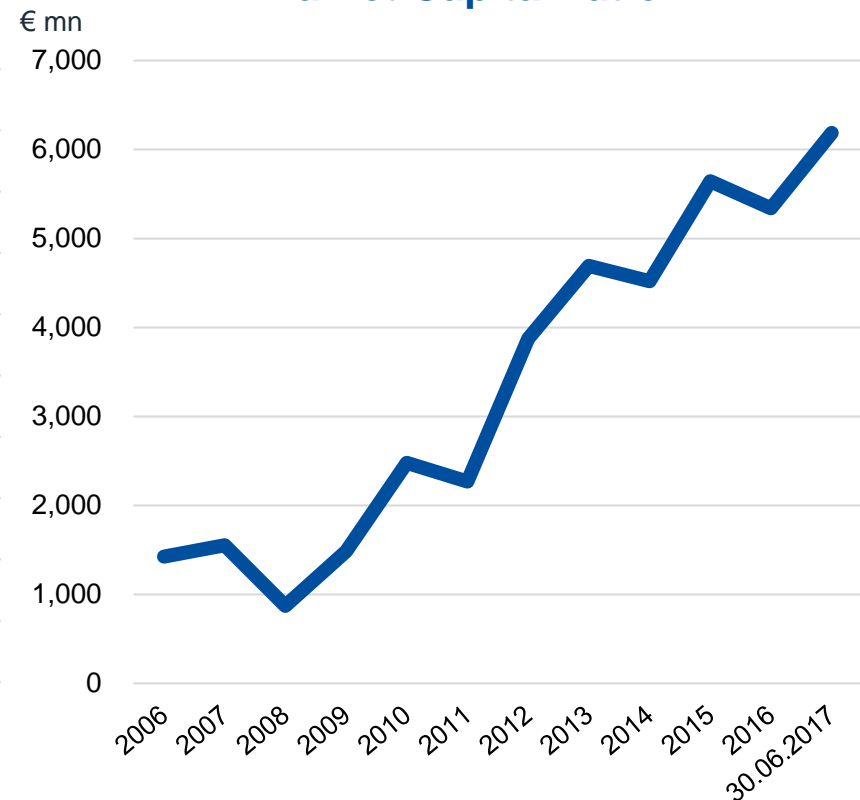
- Dividend plus preference profit share (0.01€)
- Restricted voting rights in case of:
  - preference profit share has not been fully paid
  - exclusion of pre-emption rights (e.g. capital increase, share buyback, etc.)

# Stable dividend policy

## Dividend per Preference Share



## Market Capitalization

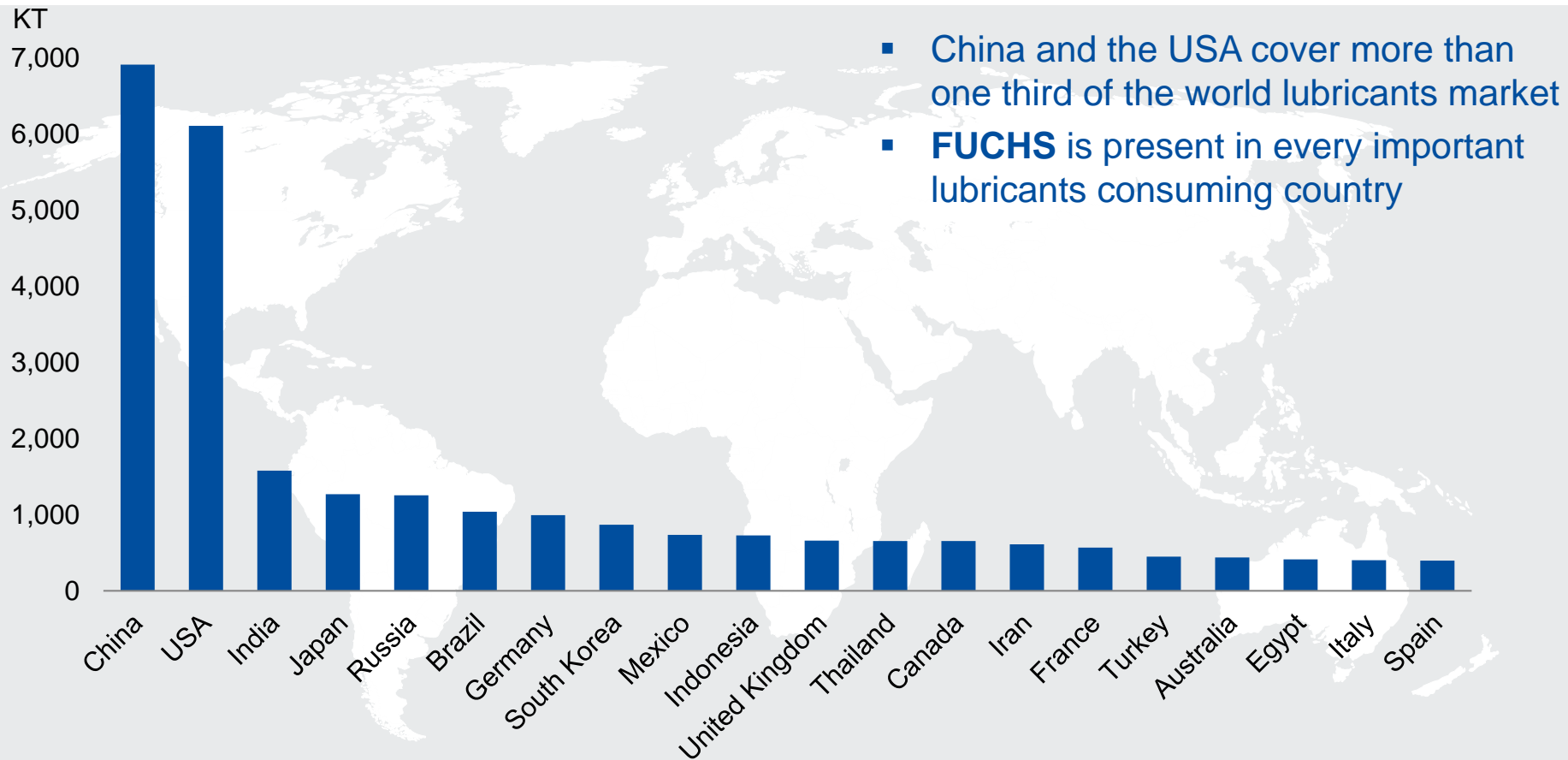


**Our target: Increase the absolute dividend amount each year or at least maintain previous year's level.**

## 04 Appendix

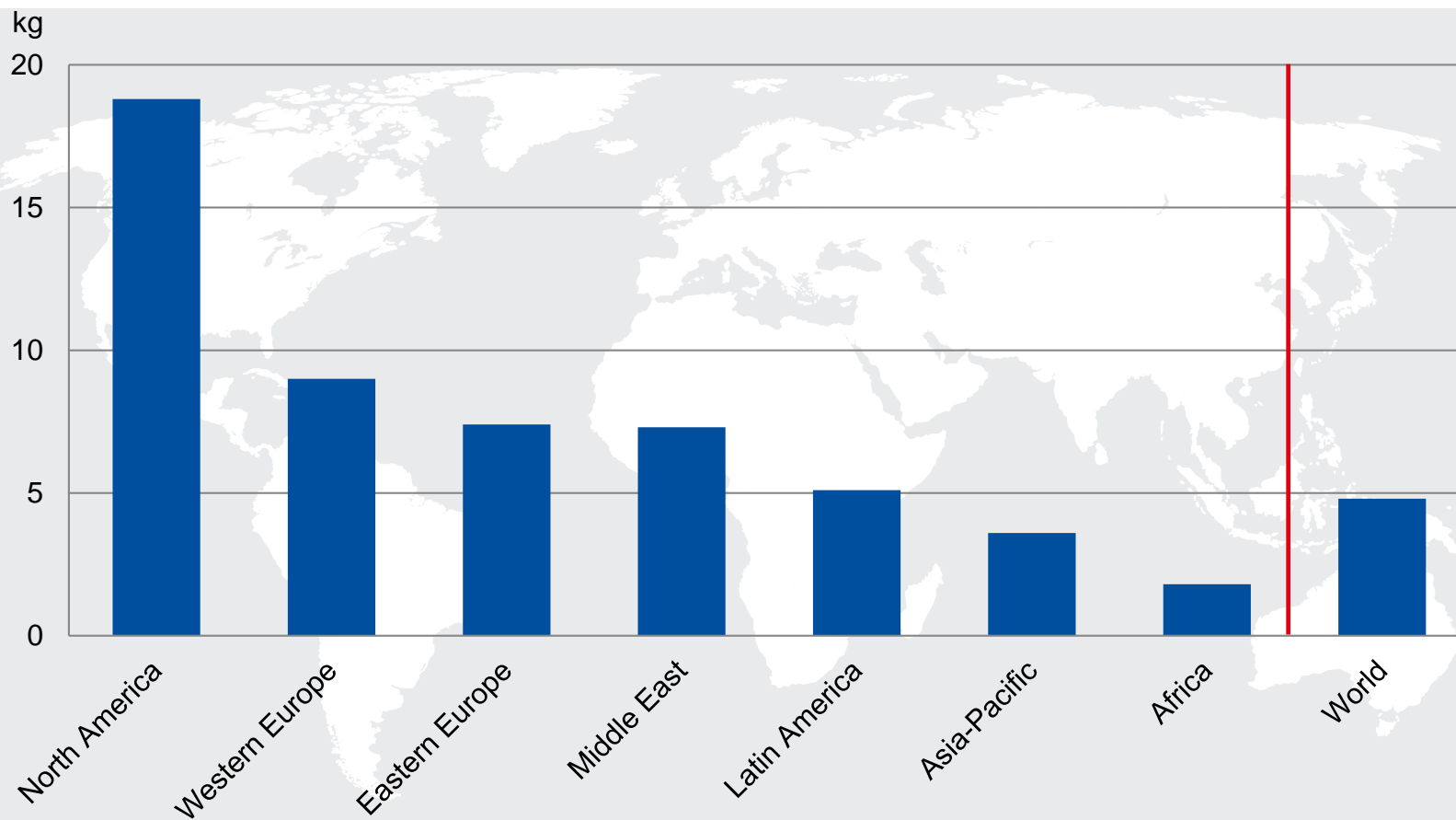


# Top 20 lubricant countries 2016

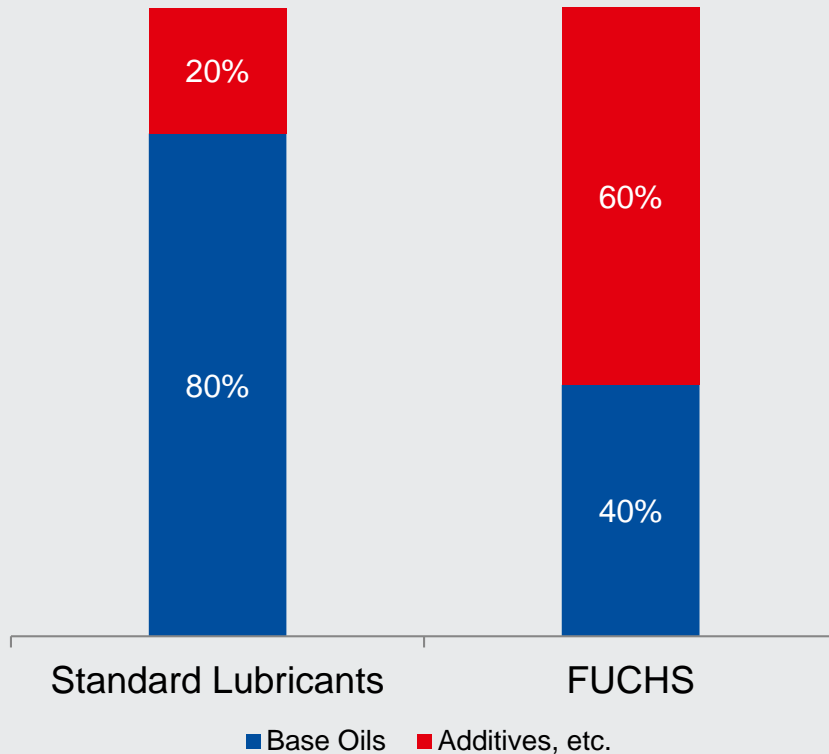




# Regional per-capita lubricants demand 2016



# Base oil / additives value split

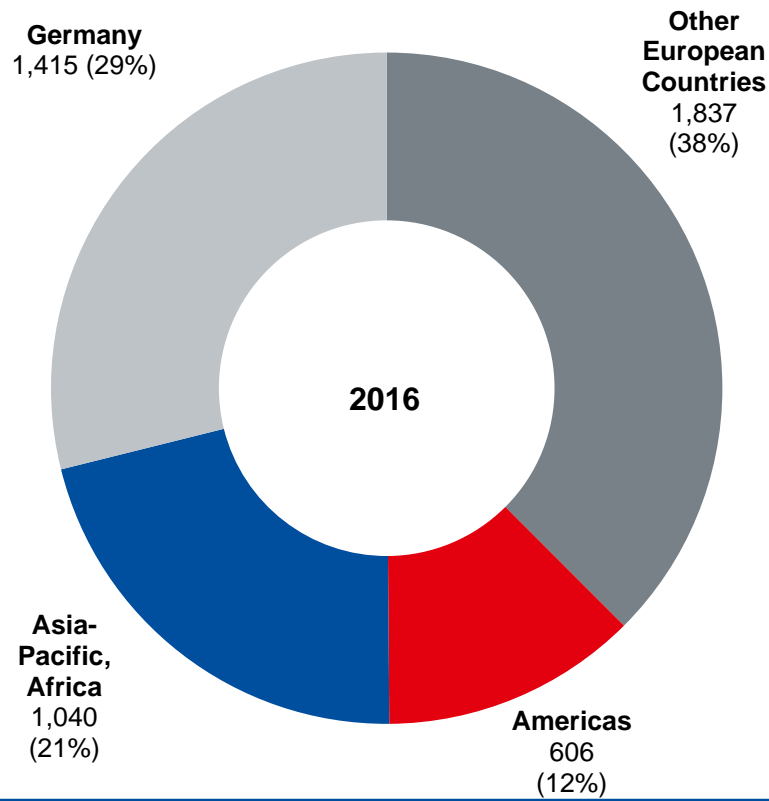


- Base oil prices do not necessarily follow crude oil prices
- No direct link between additives and crude oil prices. We even face price increases for certain raw materials where supply/demand is not balanced or special situations occur
- Special lubricants consist of less base fluid and more additives

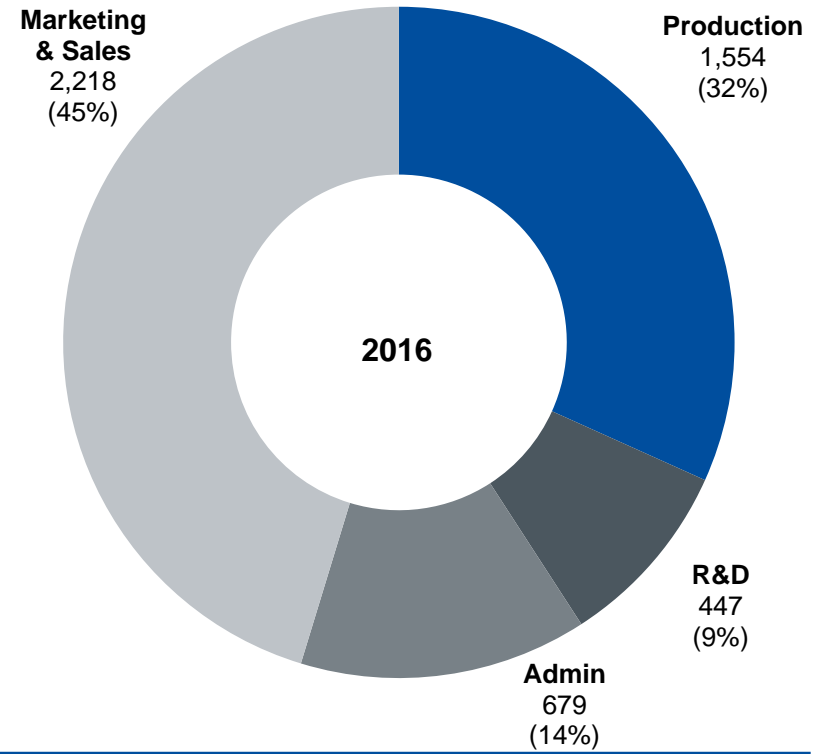
# Workforce Structure

4,898 employees globally

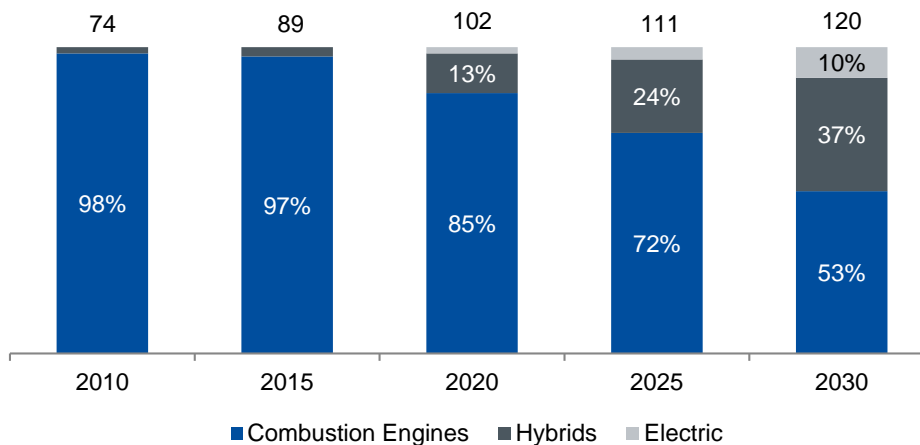
## Regional Workforce Structure



## Functional Workforce Structure



## Development passenger car production (in mn)



- **No market revolution expected:**  
Evolution of existing technologies: Hybrids with efficient combustion engines will dominate the market
- Demand of EVs mainly in big cities with high traffic density

Source: IHS


## Implication for FUCHS

### Revolution – Complete switch to only EVs:

- No power train; reduced oil consumption
- New additional high value applications
- Sales per car would decrease slightly

### Evolution – Mix of combustion, hybrid and electric engines:

- Efficiency requirements will drive demand for higher value applications
- Slightly lower volume of engine oils
- Additional applications for electric engines



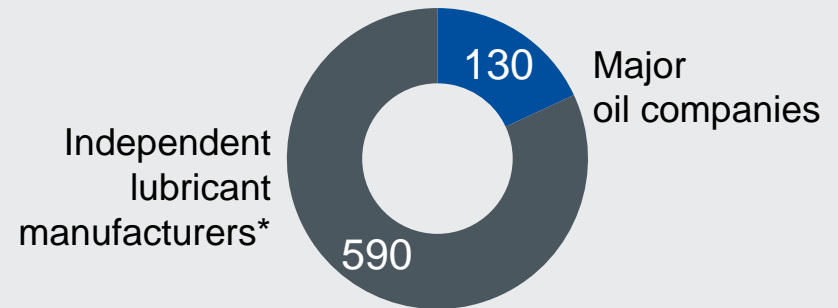
Electrification is an opportunity for FUCHS to further strengthen its market leadership with technically advanced applications

# Further market consolidation to be expected

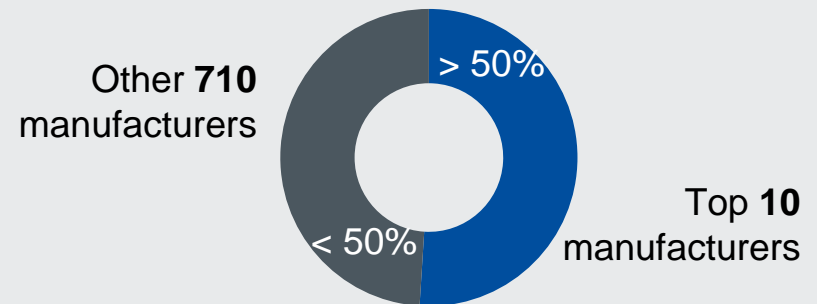
- High degree of fragmentation
- Concentration especially amongst smaller companies

- Differences are enormous

## Manufacturers



## Market Shares



\* > 1000 tons

# Acquisitions 2016

Sales 2016: €5 mn / EBIT 2016: €1 mn



<b>Deal Structure</b>	Share Deal; €15 mn sales p.a.; purchase price €26 mn
<b>Focus</b>	Industrial specialty lubricants (e.g. for compressors and industrial maintenance)
<b>Closing</b>	<b>1<sup>st</sup> December 2016</b>



<b>Deal Structure</b>	Acquisition of Chevron's foodgrade lubricants and white oil business Asset deal; €11 mn in sales p.a.; purchase price €22 mn
<b>Focus</b>	White oils and foodgrade lubricants
<b>Closing</b>	<b>1<sup>st</sup> June 2016</b>

# Long-term Objective: Focus on Shareholder Value

## Drive returns

- Organic growth through strict customer focus, geographic expansion and product innovation
- Improve operating profitability through margin and mix management, operating cost management and efficiency improvements

## Optimize capital

- Capex with returns above WACC
- Manage NOWC

## Strengthen portfolio

- Reinvest in the business
- Acquisitions



## Cash allocation priority

Reinvest in the business

Capex

Acquisitions

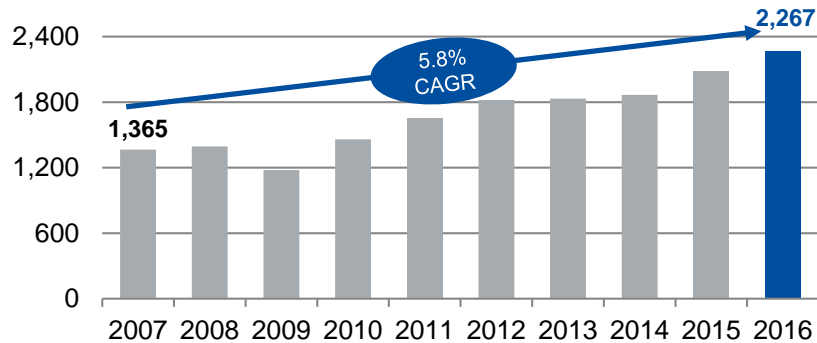
Return cash to shareholders

Stable Dividends

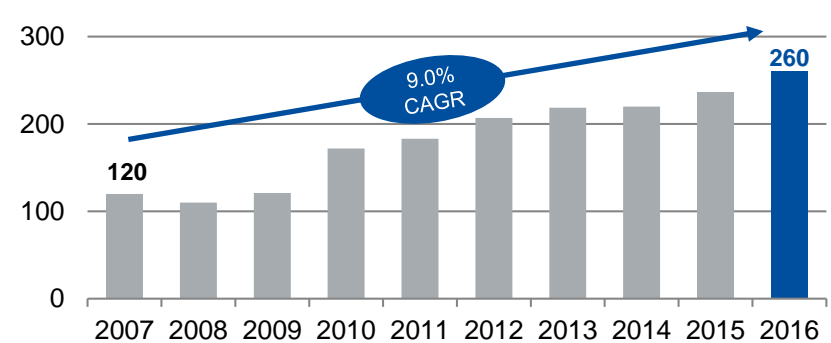
Share Buyback

# Unique Track Record for continued profitability and added value

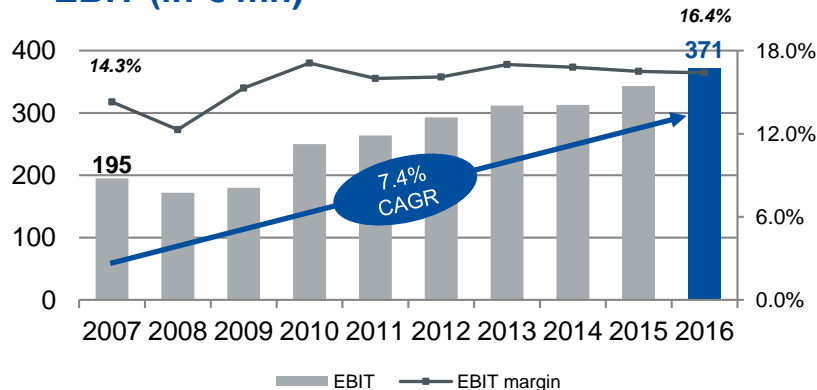
**Sales (in € mn)**



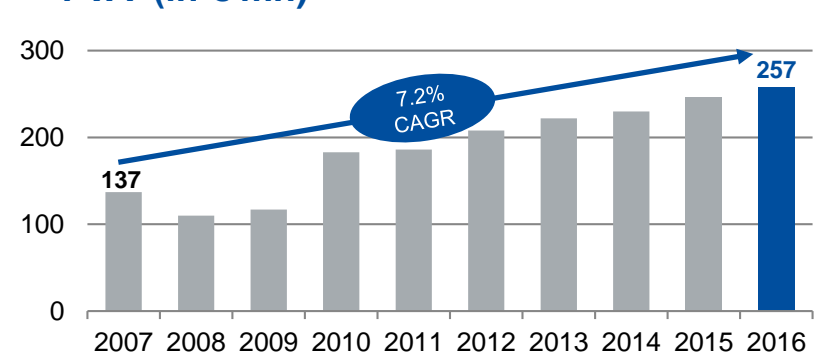
**Earnings After Tax (in € mn)**



**EBIT (in € mn)**



**FVA (in € mn)**



# EBIT increase of 8% in 2016

€ mn	2012	2013	2014	2015	2016	Δ 15/16
<b>Sales</b>	<b>1,819</b>	<b>1,832</b>	<b>1,866</b>	<b>2,079</b>	<b>2,267</b>	<b>9.0%</b>
Gross Profit	666	690	693	791	851	7.5%
Gross Profit margin	36.6%	37.7%	37.2%	38.1%	37.5%	-0.6 % points
Other function costs	-387	-391	-400	-467	-499	6.7%
<b>EBIT before at Equity</b>	<b>279</b>	<b>299</b>	<b>293</b>	<b>324</b>	<b>352</b>	<b>8.6%</b>
EBIT margin before at Equity	15.3%	16.3%	15.7%	15.6%	15.5%	-0.1 % points
At Equity	14	13	20	18	19	3.4%
<b>EBIT</b>	<b>293</b>	<b>312</b>	<b>313</b>	<b>342</b>	<b>371</b>	<b>8.3%</b>
EBIT margin	16.1%	17.0%	16.8%	16.5%	16.4%	-0.1 % points
<b>EBITDA</b>	<b>320</b>	<b>340</b>	<b>343</b>	<b>381</b>	<b>418</b>	<b>9.6%</b>
EBITDA margin	17.6%	18.6%	18.4%	18.3%	18.4%	+0.1 % points

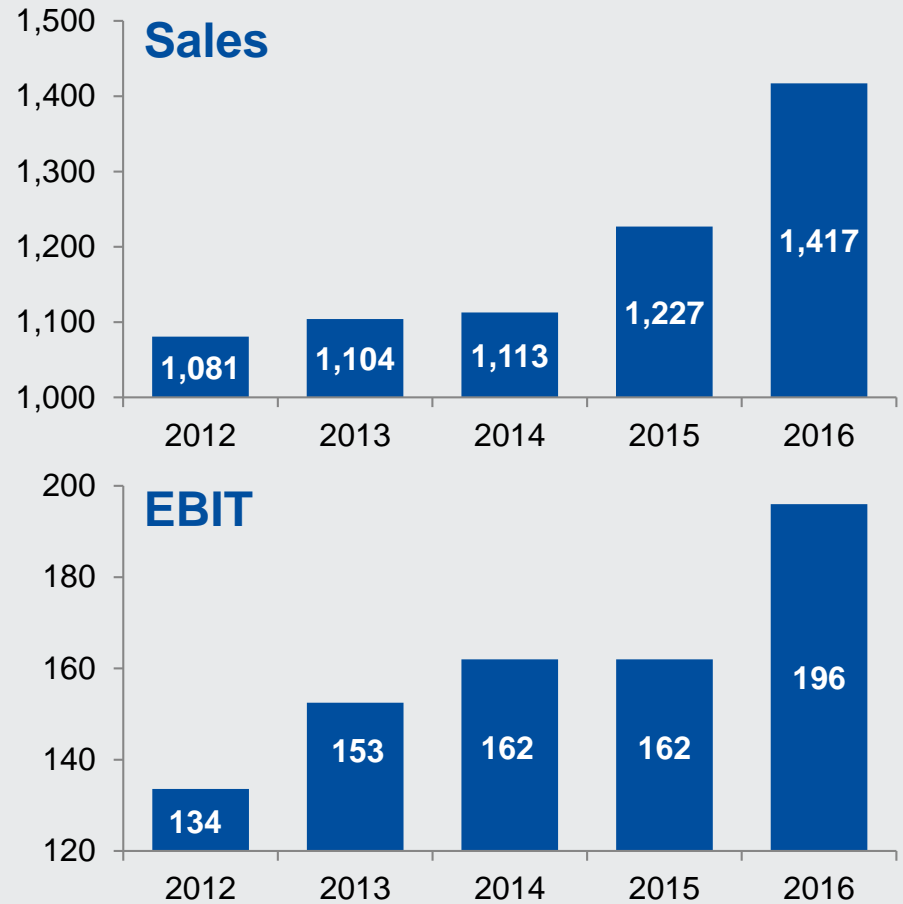
# Europe

2016: Sales + 15.5% / EBIT +21.0%

€ mn



Employees 2016: 3,149 (3,112)



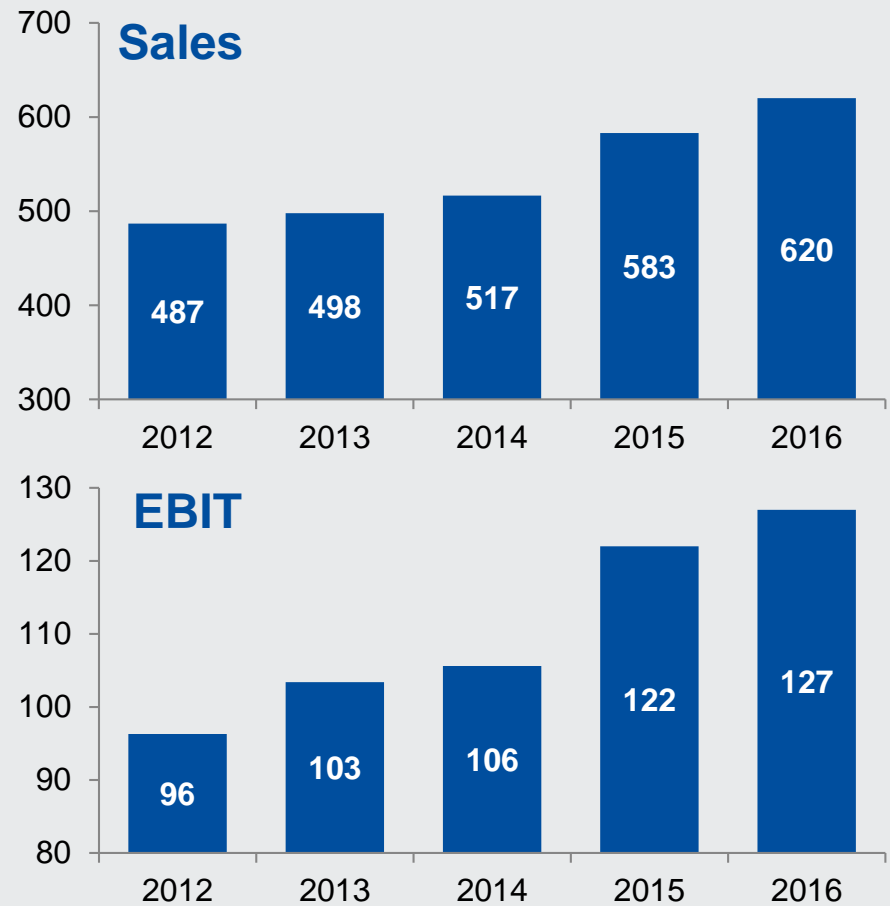
# Asia-Pacific, Africa

2016: Sales + 6.3% / EBIT + 4.3%

€ mn



Employees 2016: 1,040 (1,029)



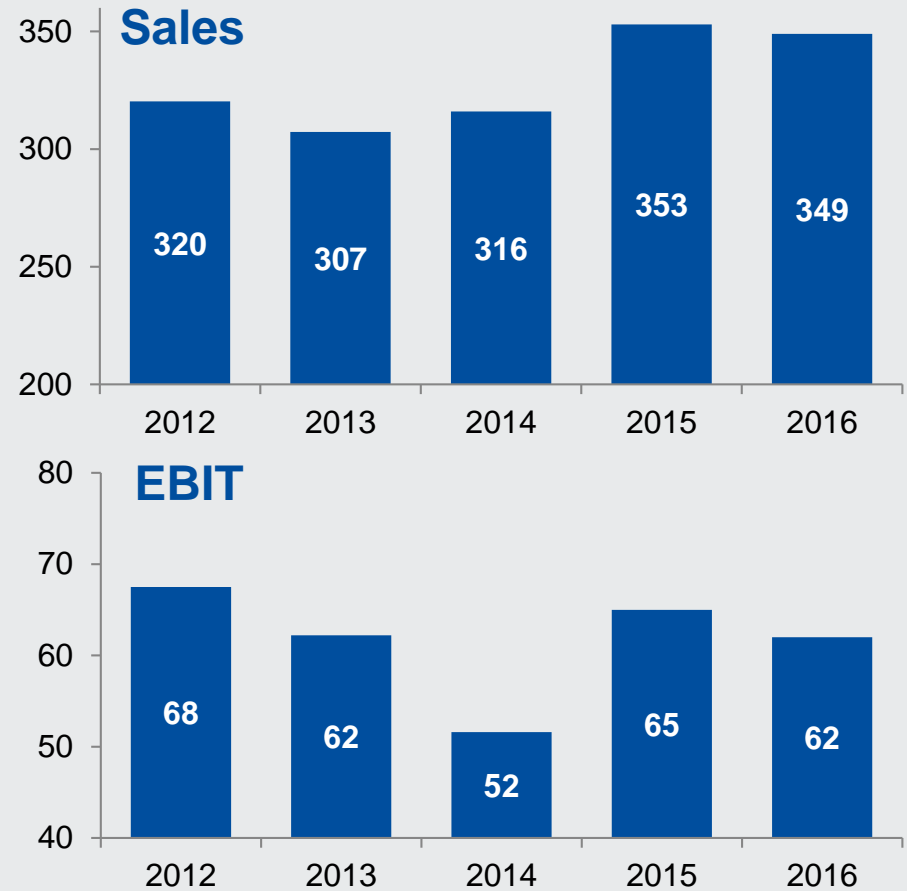
# Americas

2016: Sales - 1.2% / EBIT - 4.0%

€ mn



Employees 2016: 606 (588)

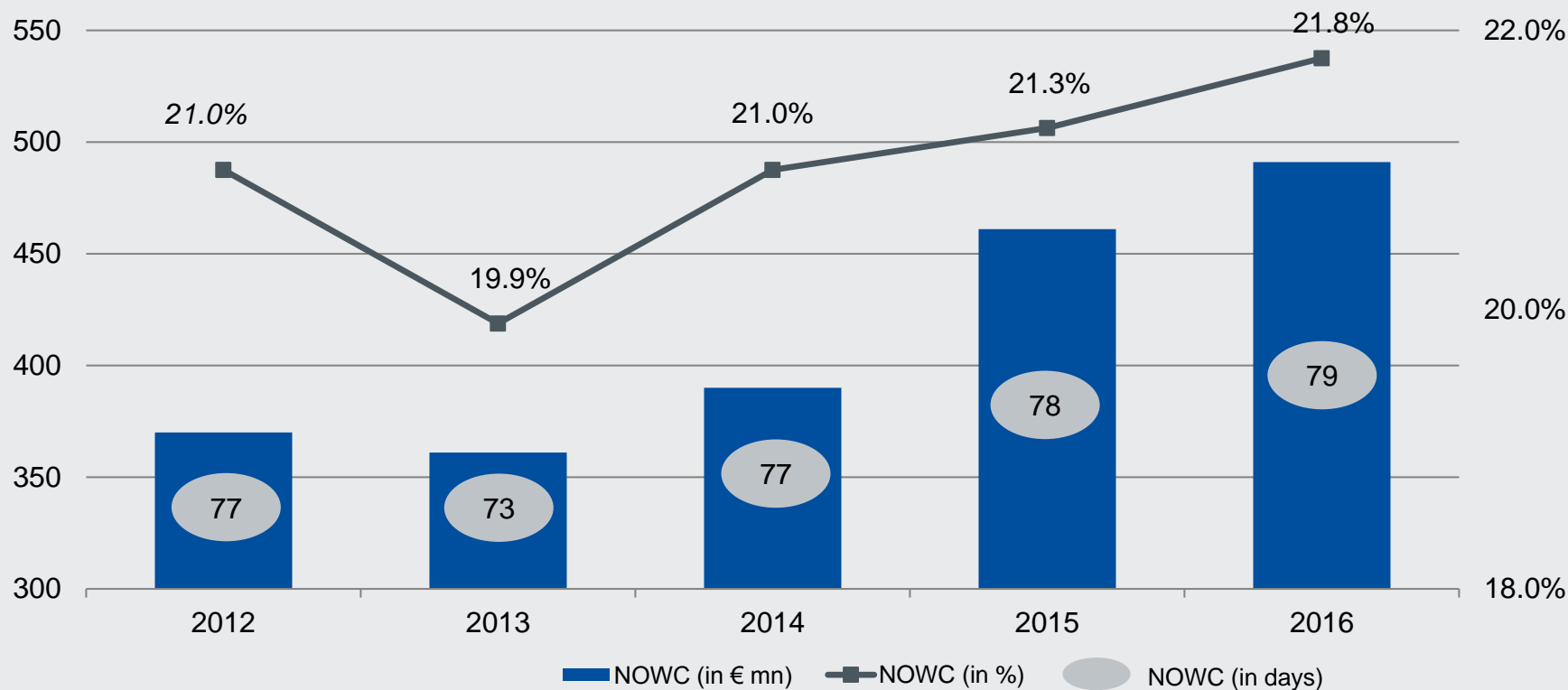


# Solid balance sheet and strong cash flow generation

€ mn	2012	2013	2014	2015	2016
Total assets	1,109	1,162	1,276	1,490	1,676
Goodwill	85	82	88	166	185
Equity	782	854	916	1,070	1,205
Equity ratio	71%	74%	72%	72%	72%

€ mn	2012	2013	2014	2015	2016
Net liquidity	135	167	186	101	146
Operating cash flow	203	221	255	281	300
Free cash flow before acquisitions	141	150	210	232	205
Free cash flow after acquisitions	140	150	188	62	164

# Net operating working capital (NOWC)\*



\* In relation to the annualized sales revenues of the 4th quarter of the year

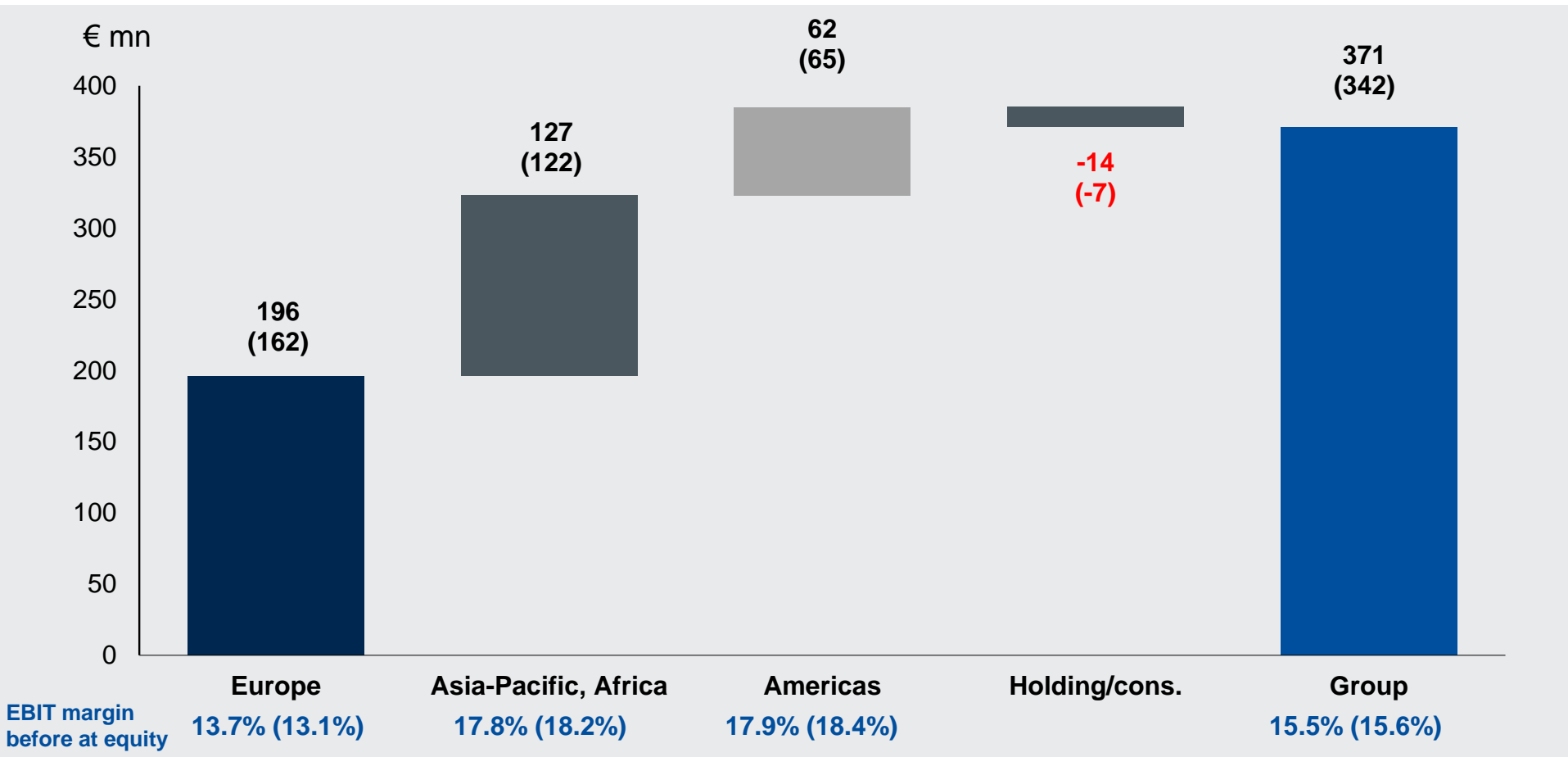


# Regional sales growth FY 2016

	2015 (€ mn)	2016 (€ mn)	Growth	Organic	External	FX
Europe	1,227	1,417	+15.5%	+3.5%	+14.0%	-2.0%
Asia-Pacific, Africa	583	620	+6.3%	+9.2%	+2.0%	-4.9%
Americas	353	349	-1.2%	-1.8%	+2.6%	-2.0%
Consolidation	-84	-119	-	-	-	-
<b>Total</b>	<b>2,079</b>	<b>2,267</b>	<b>+9.0%</b>	<b>+3.3%</b>	<b>+8.6%</b>	<b>-2.9%</b>

# EBIT by regions

FY 2016 (FY 2015)



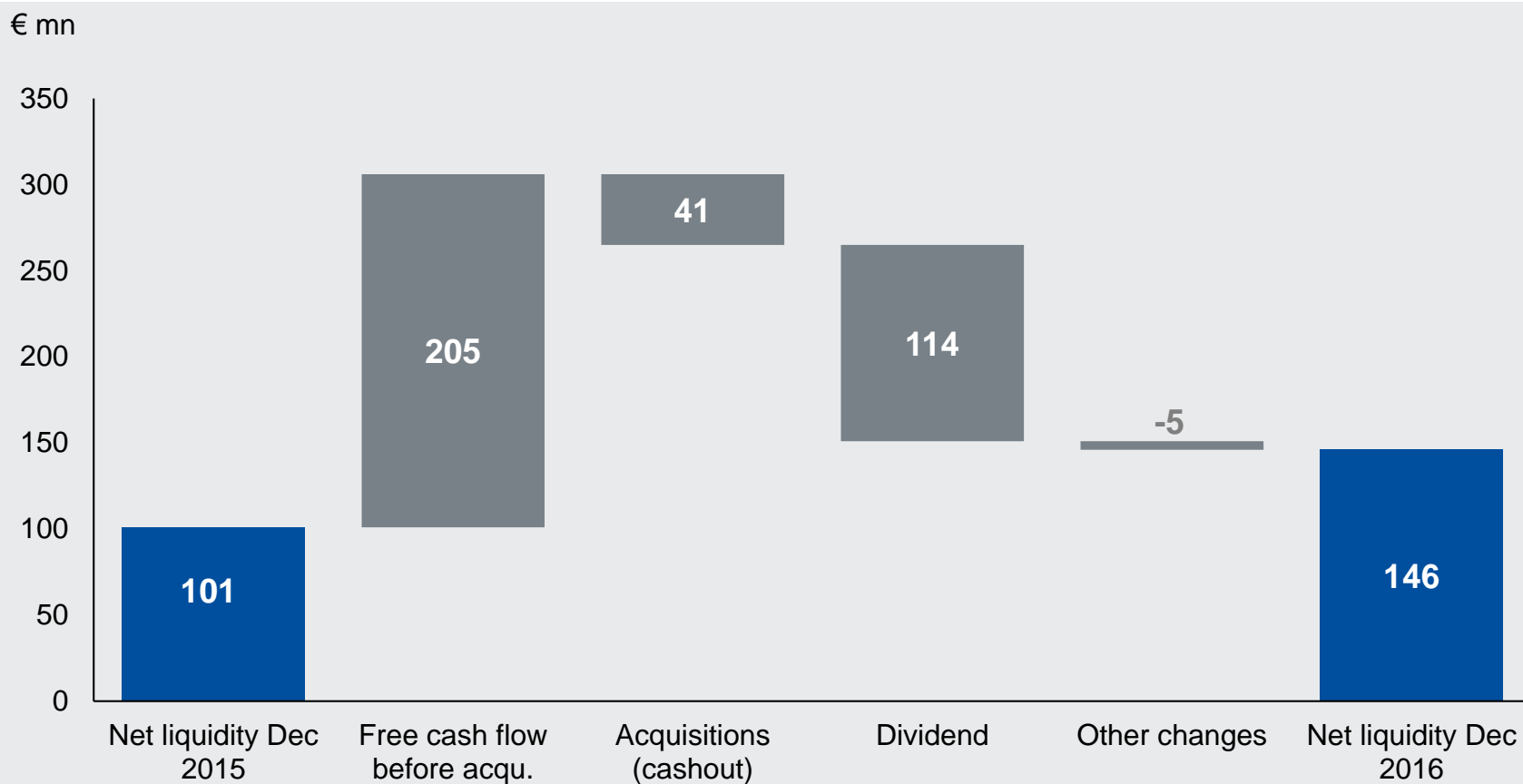
# Income Statement FY 2016

€ mn	FY 15	FY 16	Δ € mn	Δ in %
<b>Sales</b>	<b>2,079</b>	<b>2,267</b>	<b>188</b>	<b>9.0 %</b>
Gross Profit	791	851	60	7.5 %
<i>Gross Profit margin</i>	<i>38.1%</i>	<i>37.5%</i>	-	<i>-0.6 % points</i>
Other function costs	-467	-499	-32	6.7 %
<b>EBIT before at Equity</b>	<b>324</b>	<b>352</b>	<b>28</b>	<b>8.6 %</b>
At Equity	18	19	1	3.4 %
<b>EBIT</b>	<b>342</b>	<b>371</b>	<b>29</b>	<b>8.3 %</b>
Earnings after tax	236	260	24	10.0 %

# Cash flow

€ mn	FY 15	FY 16
<b>Gross cash flow</b>	<b>274</b>	<b>298</b>
Changes in net operating working capital	-1	-22
Other changes	8	24
<b>Operating cash flow</b>	<b>281</b>	<b>300</b>
Capex	-50	-93
Other changes	1	-2
<b>Free cash flow before acquisitions</b>	<b>232</b>	<b>205</b>
Acquisitions	-170	-41
<b>Free cash flow</b>	<b>62</b>	<b>164</b>

# Net Liquidity 2016

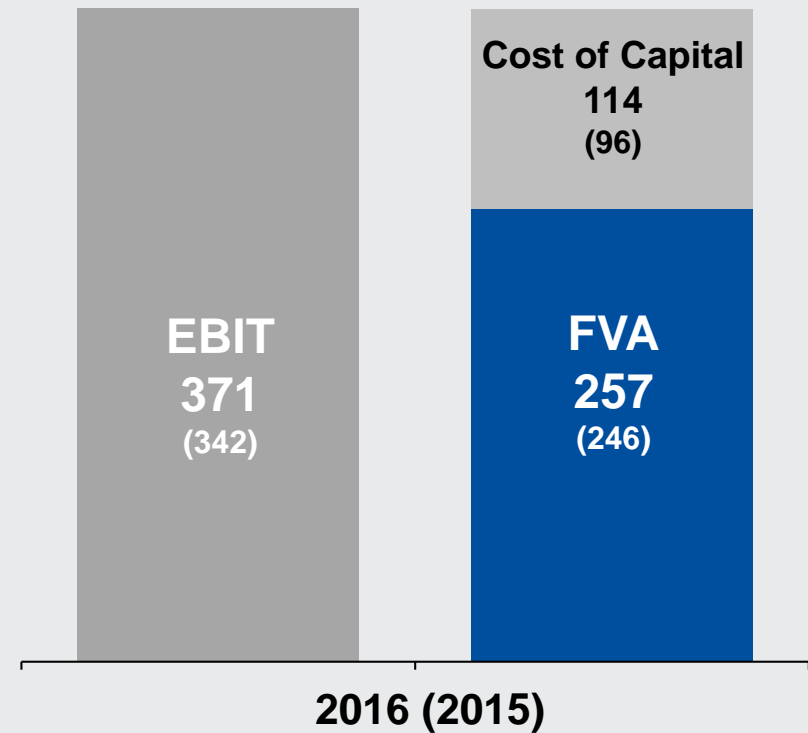
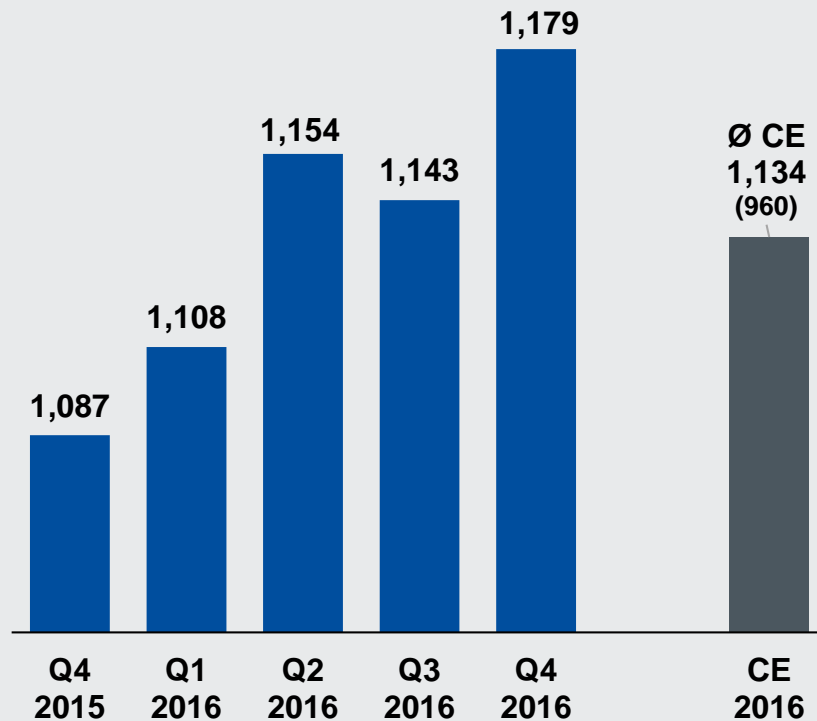


# FUCHS Value Added (FVA)

Increase by 5%

## Capital Employed

€ mn



Cost of Capital = CE x WACC (10%)

# Quarterly income statement

€ mn	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sales</b>	<b>493</b>	<b>515</b>	<b>531</b>	<b>540</b>	<b>550</b>	<b>586</b>	<b>567</b>	<b>564</b>	<b>618</b>	<b>629</b>		
Gross Profit	188	200	203	200	206	221	214	210	226	226		
Gross Profit margin (in %)	38.1	38.8	38.2	37.1	37.4	37.7	37.8	37.1	36.6	35.8		
Selling, admin., R&D expenses, others	-110	-113	-118	-126	-126	-128	-125	-120	-137	-134		
<b>EBIT before at Equity</b>	<b>78</b>	<b>87</b>	<b>85</b>	<b>74</b>	<b>80</b>	<b>93</b>	<b>89</b>	<b>90</b>	<b>89</b>	<b>92</b>		
EBIT margin before at Equity (in %)	15.8	16.8	16.0	13.9	14.6	15.8	15.8	15.9	14.5	14.5		
At Equity	4	3	4	7	5	5	5	4	5	4		
<b>EBIT</b>	<b>82</b>	<b>90</b>	<b>89</b>	<b>81</b>	<b>85</b>	<b>98</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>96</b>		
EBIT margin (in %)	16.6	17.5	16.8	15.0	15.5	16.6	16.5	16.8	15.3	15.1		
<b>EBITDA</b>	<b>90</b>	<b>99</b>	<b>100</b>	<b>92</b>	<b>97</b>	<b>109</b>	<b>105</b>	<b>107</b>	<b>107</b>	<b>109</b>		
EBITDA margin (in %)	18.3	19.1	18.8	17.1	17.6	18.7	18.6	18.8	17.4	17.3		

# Quarterly sales by regions

Sales (€ mn)	2015					2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	278	293	321	335	1,227	349	372	359	337	1,417	368	383			
Asia-Pacific, Africa	147	155	141	140	583	144	154	153	169	620	181	182			
Americas	88	88	91	86	353	85	87	88	89	349	104	101			
Consolidation	-20	-21	-22	-21	-84	-28	-27	-33	-31	-119	-35	-37			
<b>FUCHS Group</b>	<b>493</b>	<b>515</b>	<b>531</b>	<b>540</b>	<b>2,079</b>	<b>550</b>	<b>586</b>	<b>567</b>	<b>564</b>	<b>2,267</b>	<b>618</b>	<b>629</b>			

Δ Y-o-Y in %	2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	+25.5	+26.8	+11.8	+0.7	+15.5	+5.3	+3.1			
Asia-Pacific, Africa	-1.4	-1.1	+7.9	+21.1	+6.3	+25.1	+18.8			
Americas	-4.3	-0.5	-3.0	+3.3	-1.2	+22.7	+15.4			
Consolidation	-	-	-	-	-	-	-			
<b>FUCHS Group</b>	<b>+11.7</b>	<b>+13.8</b>	<b>+6.7</b>	<b>+4.4</b>	<b>+9.0</b>	<b>+12.4</b>	<b>+7.3</b>			



# Quarterly sales growth split by regions

Organic Growth (in %)	2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	1.8	4.7	4.7	2.7	3.5	5.5	3.3			
Asia-Pacific, Africa	2.0	2.5	11.0	22.5	9.2	20.9	17.1			
Americas	-3.4	1.8	-4.0	-1.5	-1.8	9.0	6.4			
<b>FUCHS Group</b>	<b>1.1</b>	<b>3.7</b>	<b>3.0</b>	<b>5.2</b>	<b>3.3</b>	<b>9.3</b>	<b>5.7</b>			

External Growth (in %)	2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	24.9	24.4	9.3	-	14.0	-	-			
Asia-Pacific, Africa	2.9	4.8	-	-	2.0	-	-			
Americas	2.0	3.4	2.1	3.0	2.6	7.4	5.5			
<b>FUCHS Group</b>	<b>13.7</b>	<b>14.9</b>	<b>6.0</b>	<b>0.5</b>	<b>8.6</b>	<b>1.1</b>	<b>0.8</b>			

FX Effects (in %)	2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	-1.2	-2.3	-2.2	-2.0	-2.0	-0.2	-0.2			
Asia-Pacific, Africa	-6.3	-8.4	-3.1	-1.4	-4.9	4.2	1.7			
Americas	-2.9	-5.7	-1.1	1.8	-2.0	6.3	3.5			
<b>FUCHS Group</b>	<b>-3.1</b>	<b>-4.8</b>	<b>-2.3</b>	<b>-1.3</b>	<b>-2.9</b>	<b>2.0</b>	<b>0.8</b>			

# Quarterly EBIT by regions

EBIT (€ mn)	2015					2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	39	44	45	34	162	43	52	54	47	196	46	48			
Asia-Pacific, Africa	27	32	28	35	122	29	32	29	37	127	34	32			
Americas	17	16	17	15	65	15	17	15	15	62	17	15			
Consolidation	-1	-2	-1	-3	-7	-2	-3	-4	-5	-14	-3	+1			
<b>FUCHS Group</b>	<b>82</b>	<b>90</b>	<b>89</b>	<b>81</b>	<b>342</b>	<b>85</b>	<b>98</b>	<b>94</b>	<b>94</b>	<b>371</b>	<b>94</b>	<b>96</b>			

Δ Y-o-Y in %	2016					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	+9.4	+19.6	+19.8	+35.2	+20.5	+6.0	-7.3			
Asia-Pacific, Africa	+9.8	-2.2	+2.9	+7.1	+4.3	+15.4	+2.5			
Americas	-8.5	0	-9.7	+3.4	-4.0	+11.9	-6.7			
Consolidation	-	-	-	-	-	-	-			
<b>FUCHS Group</b>	<b>+4.3</b>	<b>+8.5</b>	<b>+4.7</b>	<b>+16.2</b>	<b>+8.3</b>	<b>+10.8</b>	<b>-2.4</b>			

# The Executive Board



**Stefan Fuchs:** CEO, Corporate Development, HR, PR, Americas



**Dr. Lutz Lindemann:** R&D, Technology, Supply Chain, Sustainability, OEM, Mining



**Dr. Timo Reister:** Asia-Pacific, Africa



**Dr. Ralph Rheinboldt:** Europe, LUBRITECH, SAP/ERP Systems



**Dagmar Steinert:** CFO, Finance, Controlling, IR, Compliance, Internal Audit, IT, Legal, Tax

# Executive Compensation & FUCHS Shares

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## Executive Board

**25%**

of variable compensation

must be invested in FUCHS preference shares with a 3 year lock-up period

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## Supervisory Board

**50%**

of variable compensation

must be invested in FUCHS preference shares with a lock-up period of 5 years. The vesting period is waived when the member leaves the Supervisory Board

# Disclaimer

This presentation contains statements about future development that are based on assumptions and estimates by the management of FUCHS PETROLUB SE. Even if the management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results may differ significantly from these assumptions and estimates due to a variety of factors. These factors can include changes in the overall economic climate, procurement prices, changes to exchange rates and interest rates, and changes in 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 presentation and assumes no liability for such.

# Financial Calendar & Contact

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## Financial Calendar

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August 1, 2017	Financial Report H1 2017
October 27, 2017	Quarterly Statement Q1-3 2017
March 21, 2018	Full Year Results 2017
May 8, 2018	Annual General Meeting 2018

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## Contact

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