

# FUCHS GROUP

## Setting Standards - Worldwide

| Company Presentation, March 2017

| Dagmar Steinert, CFO

| Thomas Altmann, Head of Investor Relations



# Agenda

**01** | The Leading Independent Lubricants Company

**02** | FY 2016

**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 independent  
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

# German Sustainability Award 2016

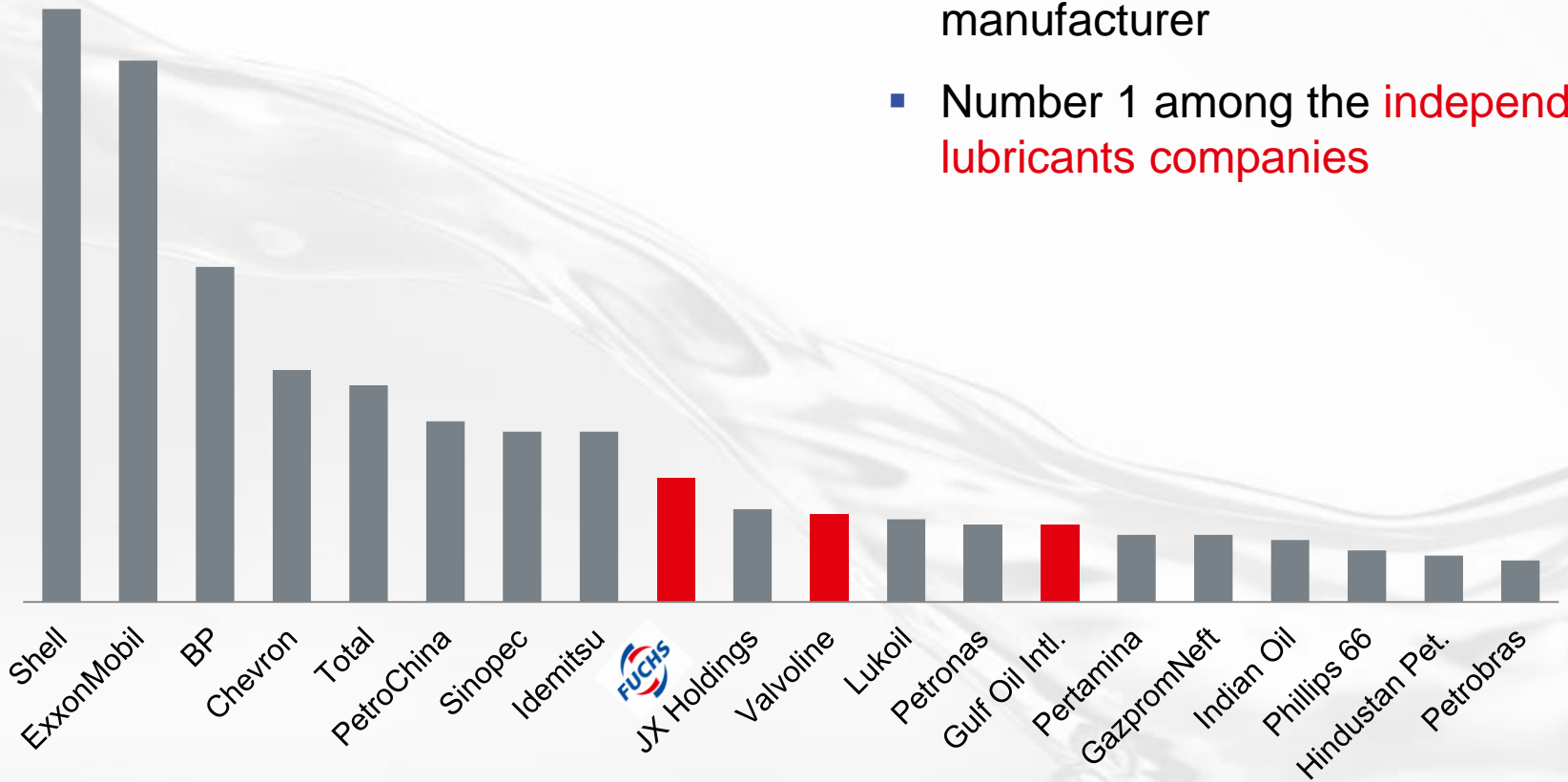


## GERMAN SUSTAINABILITY AWARD

Germany's Most Sustainable  
Medium-sized Company 2016



# 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

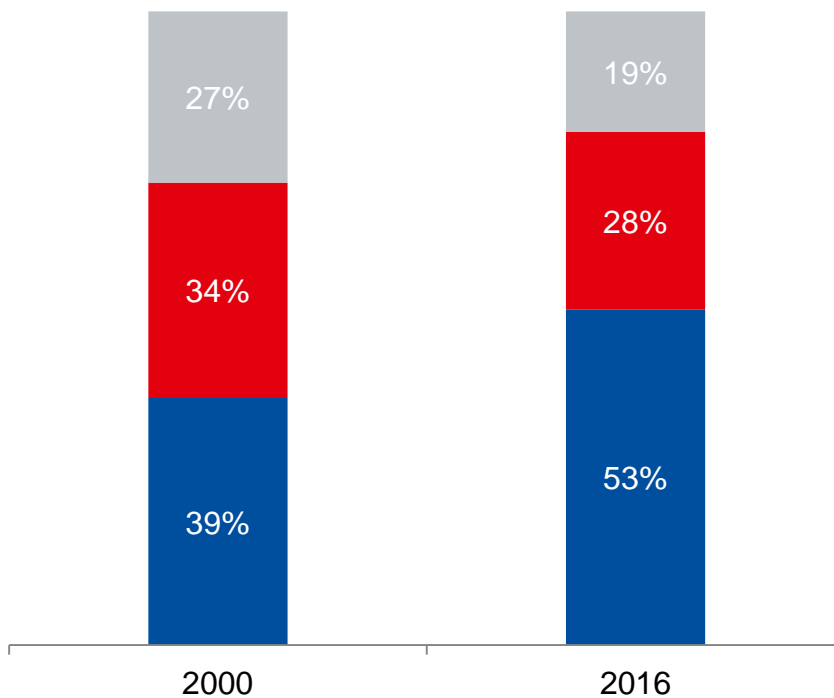


**Advantage over independent companies**

# Organic growth potential in emerging countries

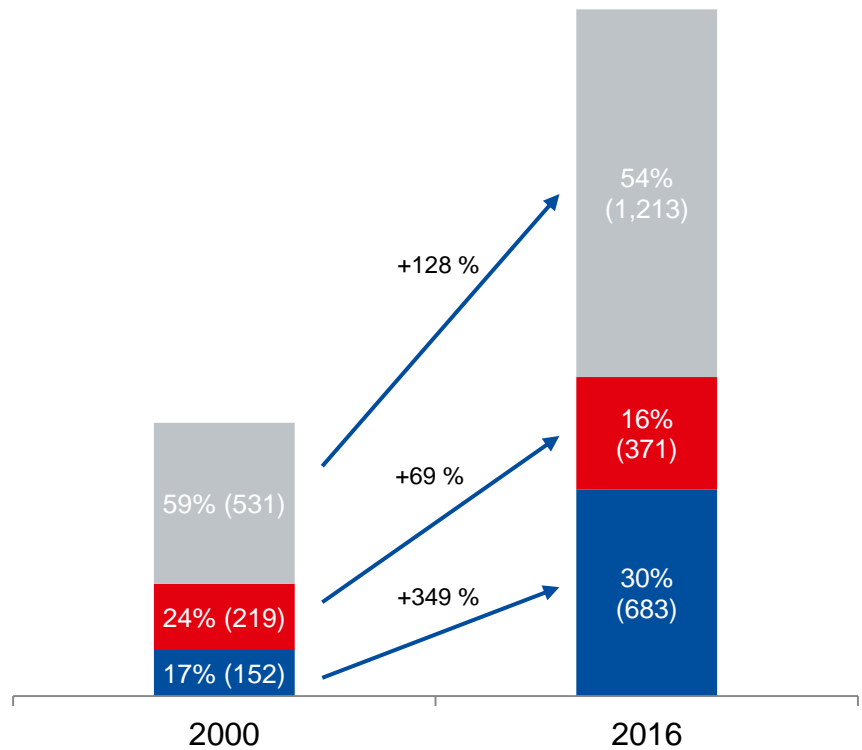
## Market Demand

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



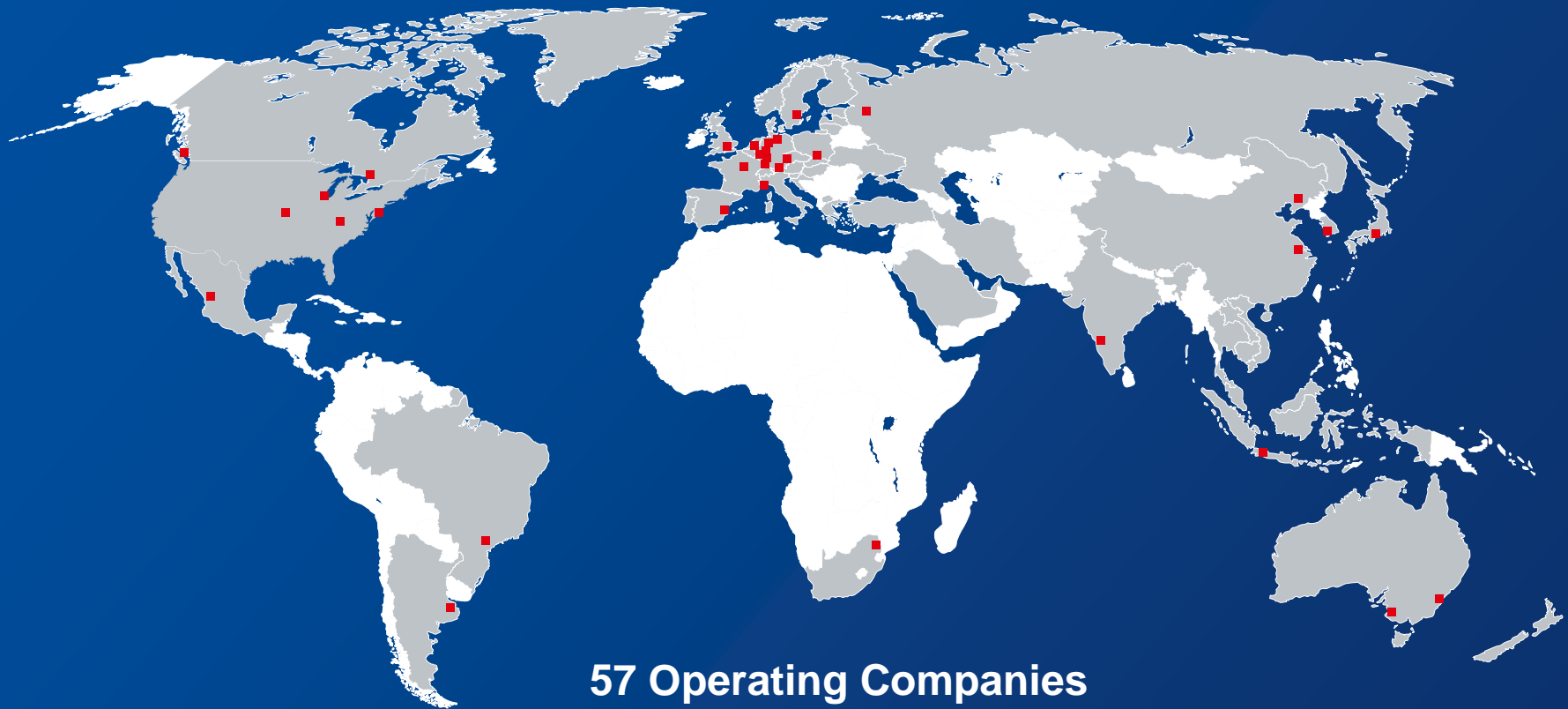
## FUCHS Sales (by customer location)

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

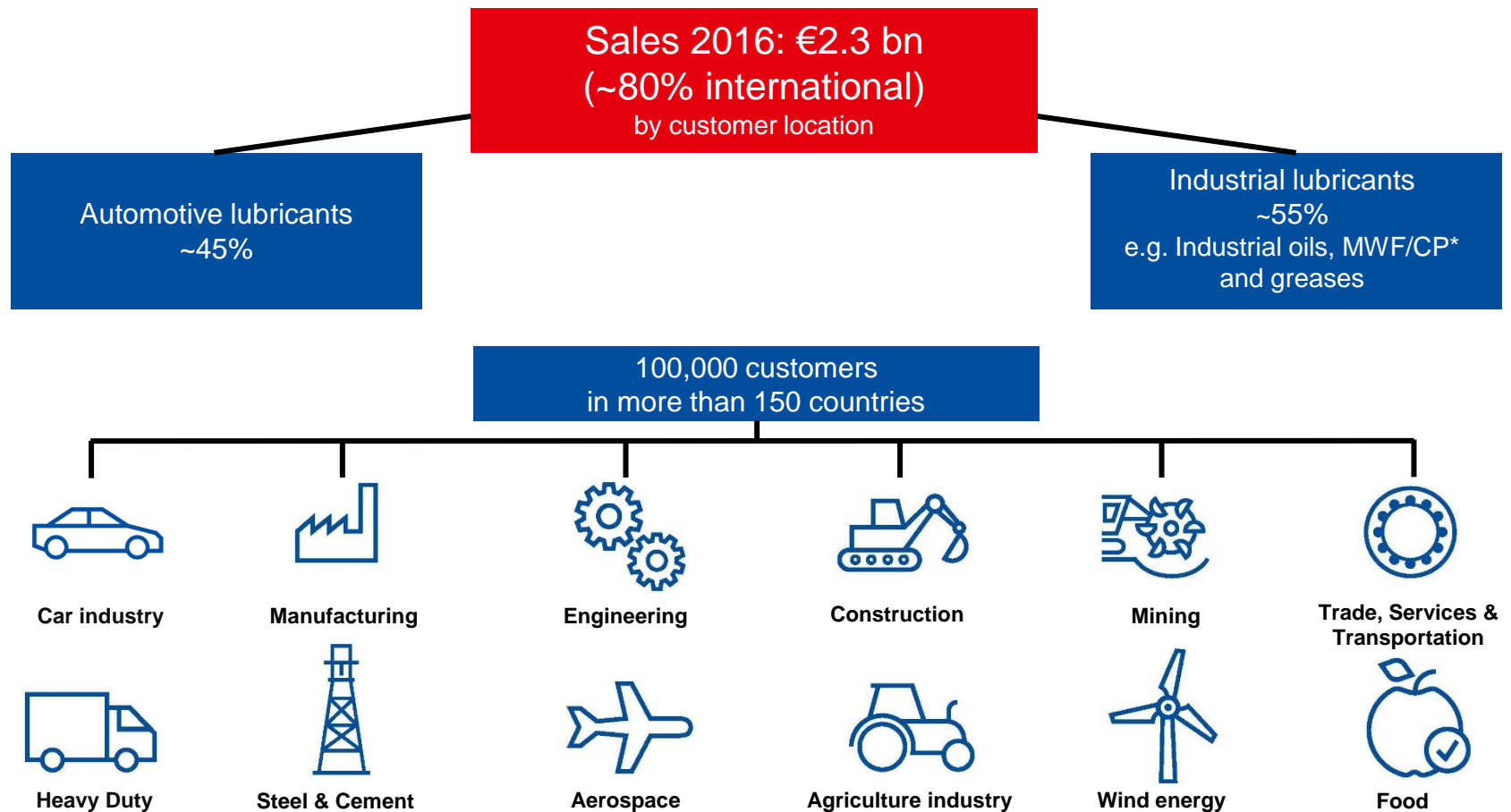




# We are where our customers are



# Full-line supplier advantage

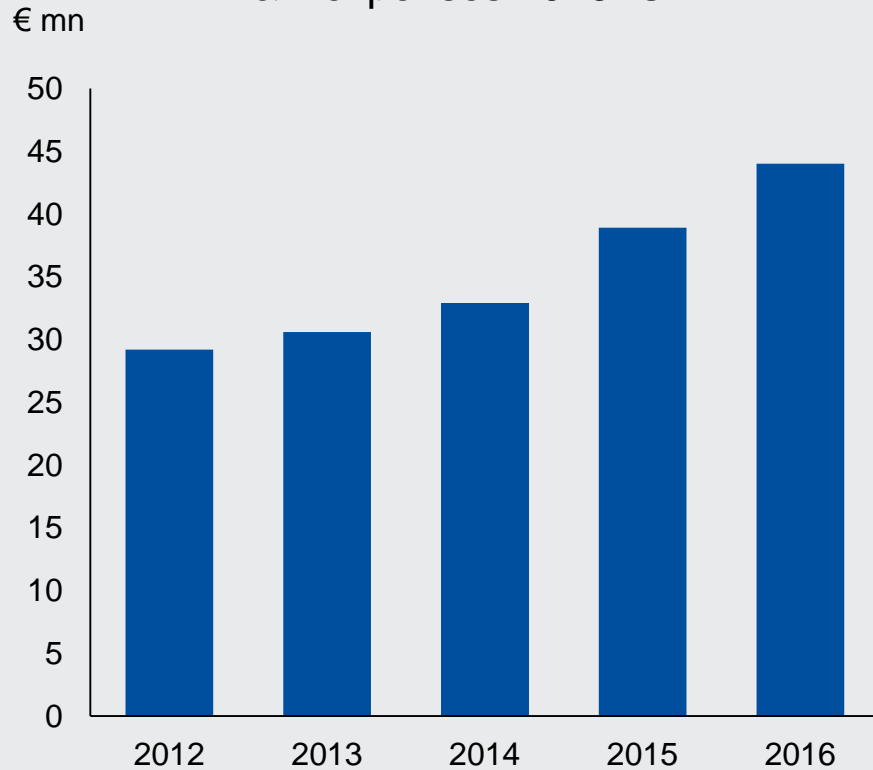


\*metalworking fluids/corrosion preventives

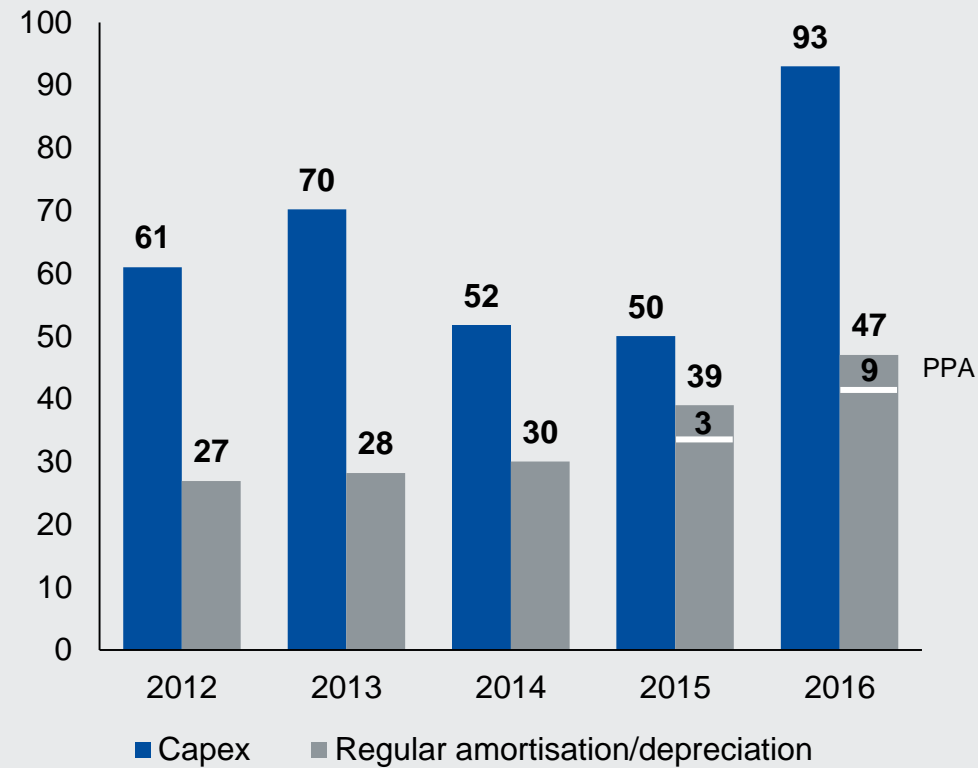
# Investment in the future

R&D, capex, amortisation & depreciation

R&D expenses 2016: €44 mn



Capex 2016: €93 mn



# Investments 2016 - 2018

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

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

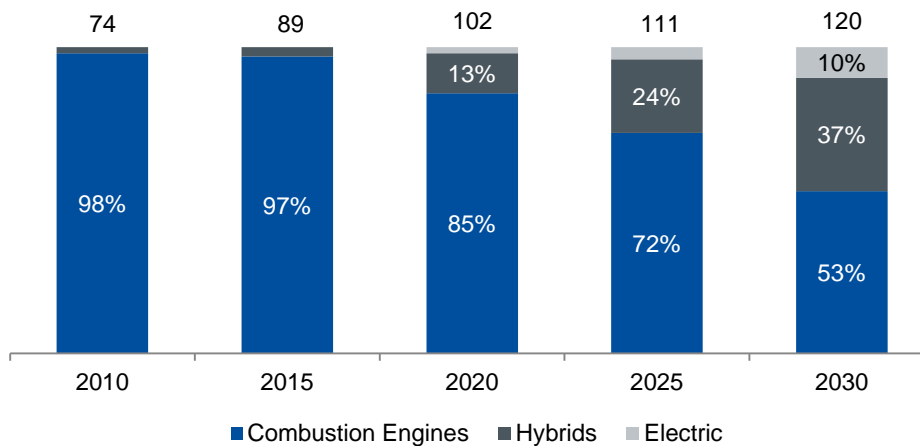
~ 50% of planned investments is maintenance capex

# 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



## 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

# 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** FY 2016



# Highlights FY 2016

**Sales +9%**  
**to €2.3 bn**

- Integration of Pentosin and Statoil
- Organic growth of + 3%
- 8<sup>th</sup> earnings increase in a row
- EPS + 10%

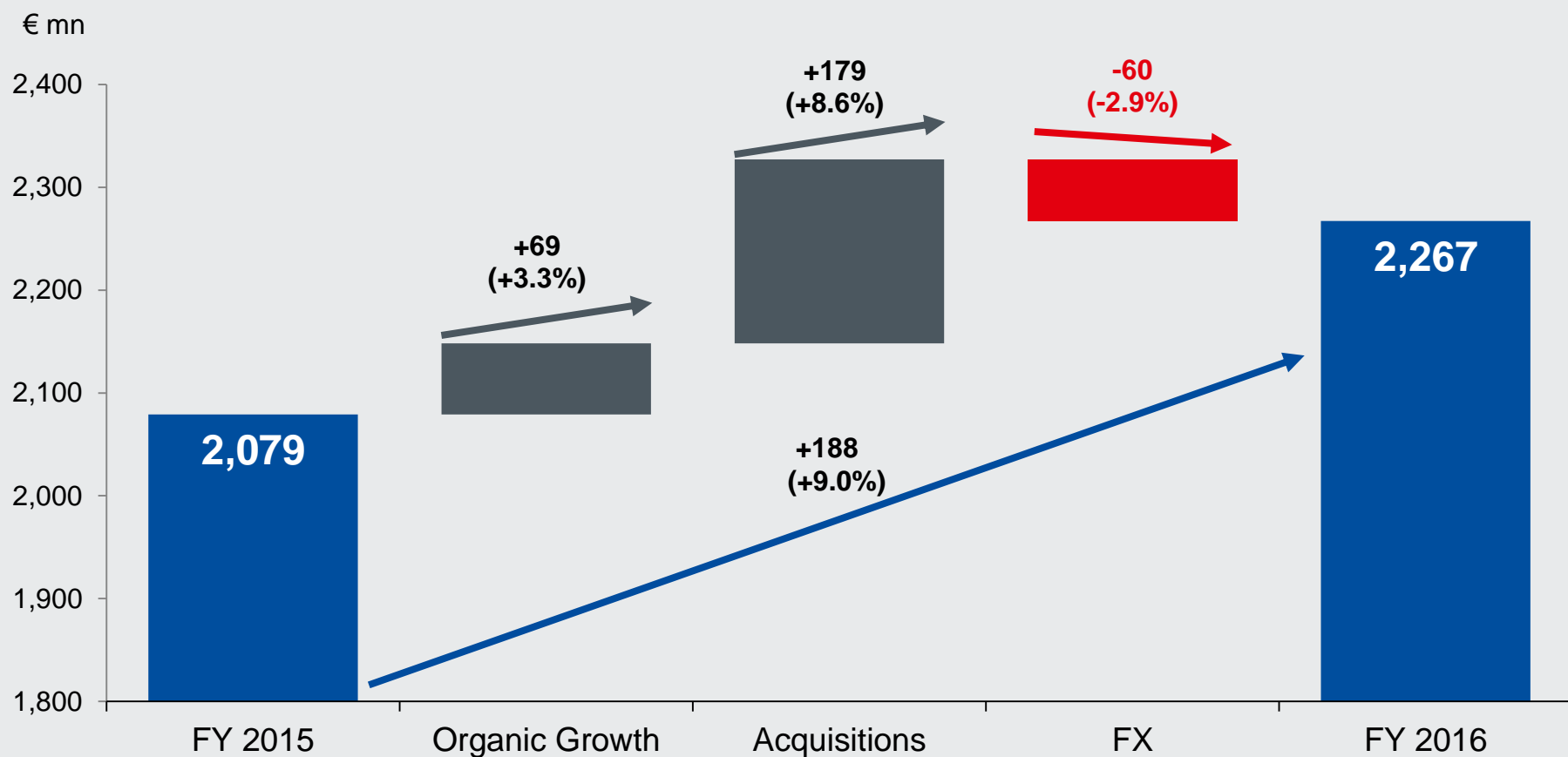
**EBIT**  
**+8%**  
to €371 mn

**+9%**  
Dividend proposal

FUCHS Value Added increases to

**€257 mn**

# FY 2016 Group Sales

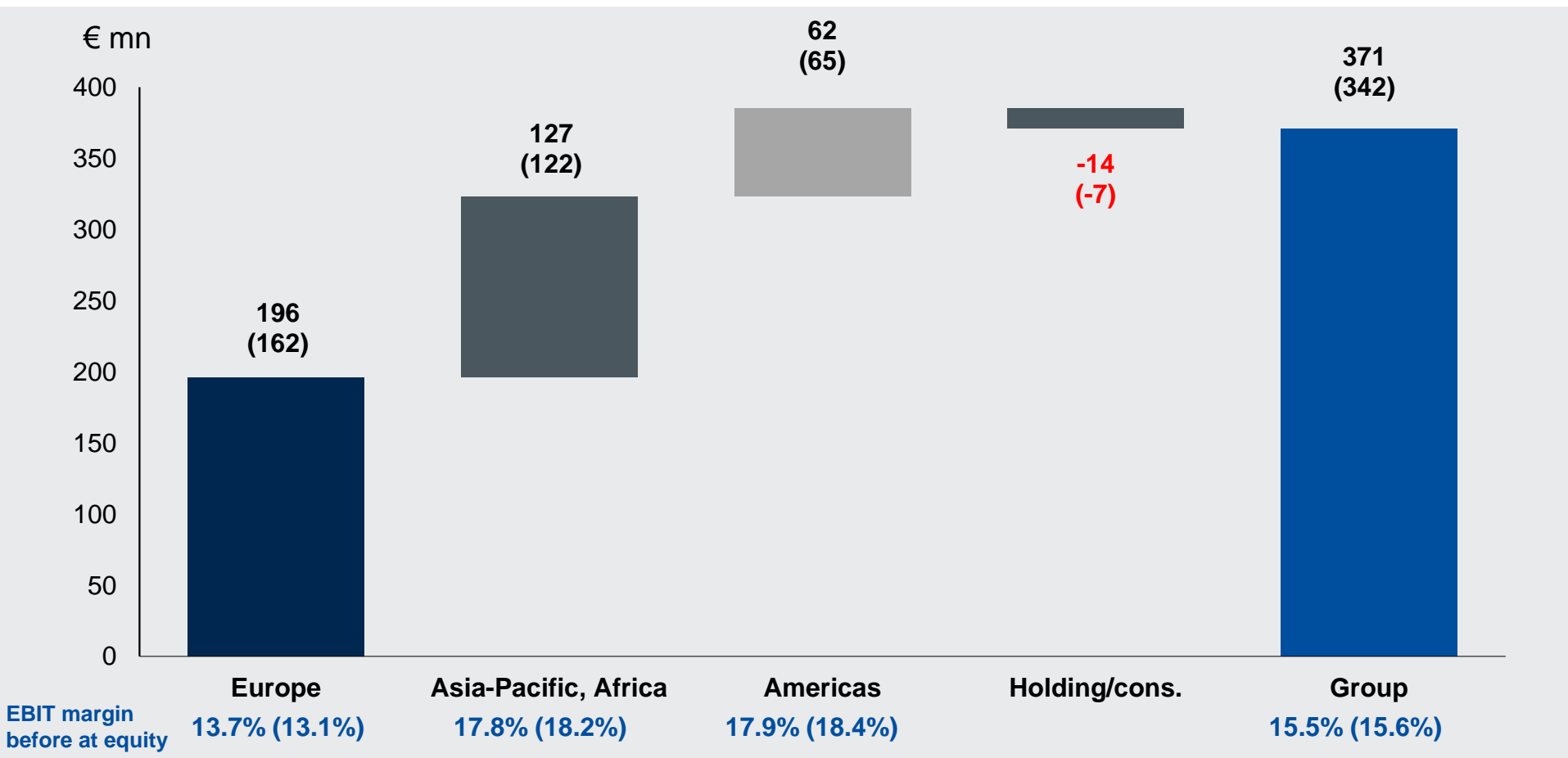


# Regional sales growth FY 2016

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

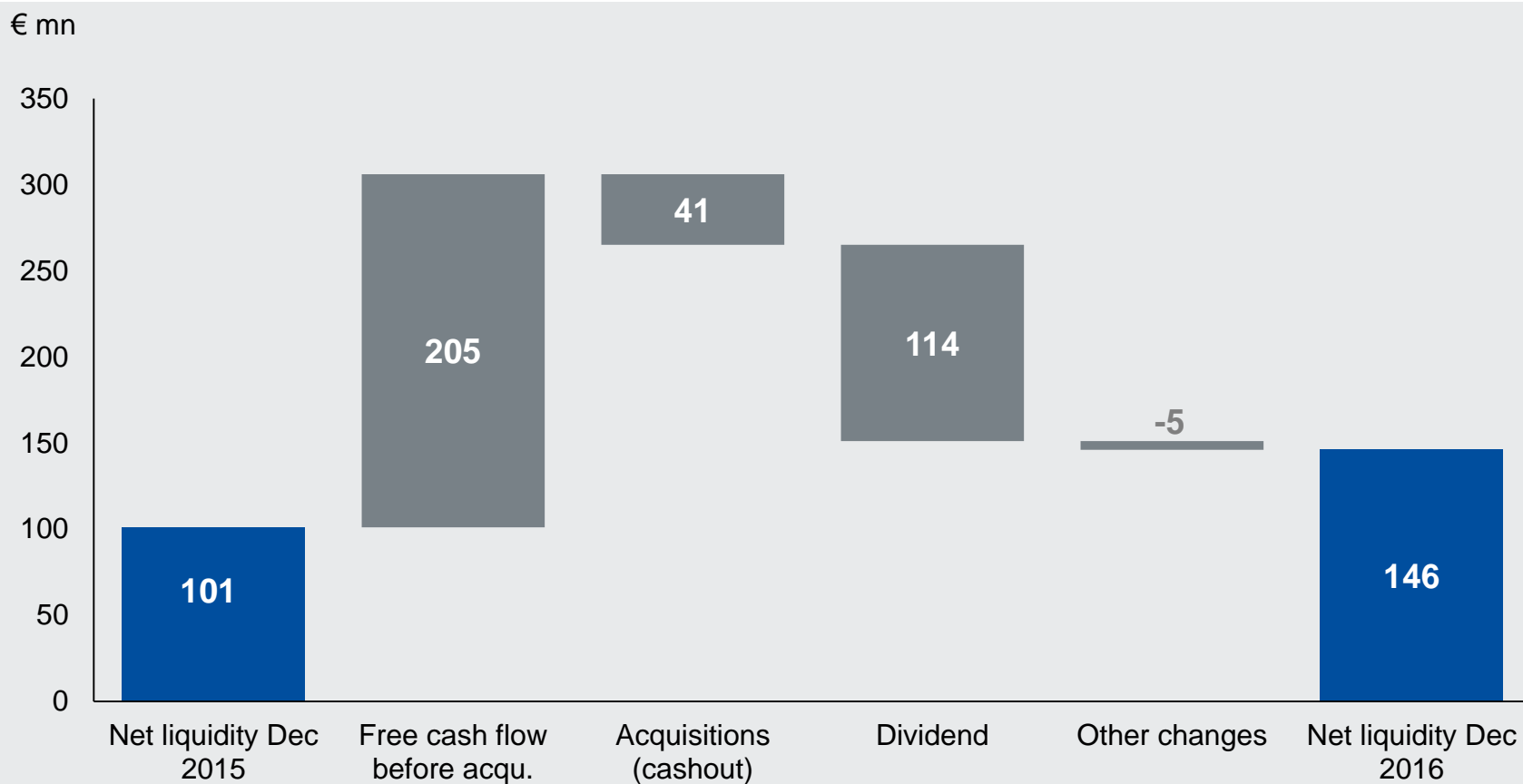
€ mn	FY 15	FY 16	Δ € mn	Δ in %
<b>Sales</b>	<b>2,079</b>	<b>2,267</b>	<b>188</b>	<b>9.0 %</b>
Gross Profit	791	851	60	7.5 %
<i>Gross Profit margin</i>	<i>38.1%</i>	<i>37.5%</i>	-	<i>-0.6 % points</i>
Selling, admin., R&D expenses, others	-467	-499	32	6.7 %
<b>EBIT before at Equity</b>	<b>324</b>	<b>352</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 2016

€ mn	2015	2016
<b>Earnings after tax</b>	<b>236</b>	<b>260</b>
Amortisation/Depreciation	39	47
Changes in net operating working capital (NOWC)	-1	-22
Other changes	8	13
Capex	-50	-93
<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

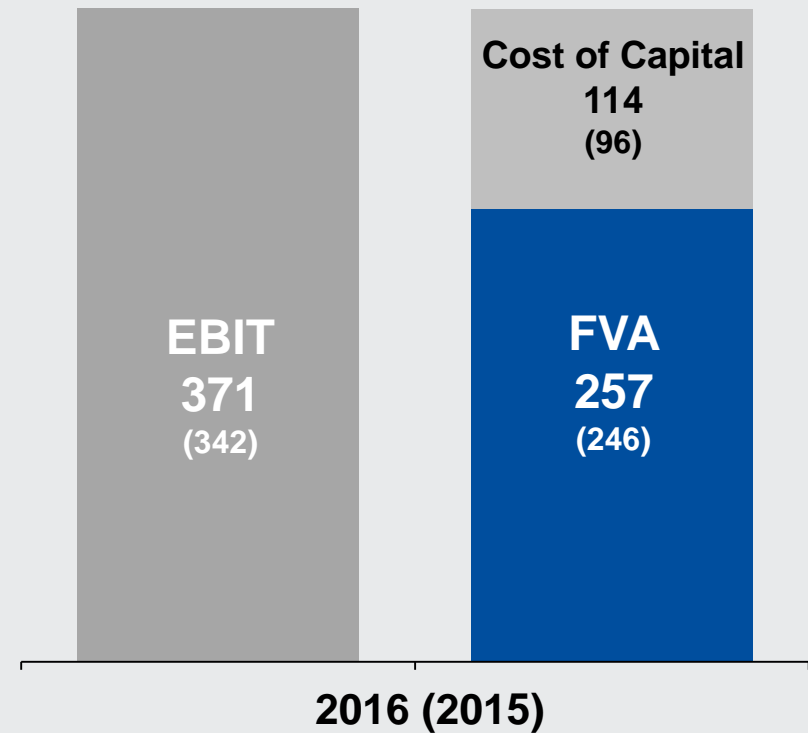
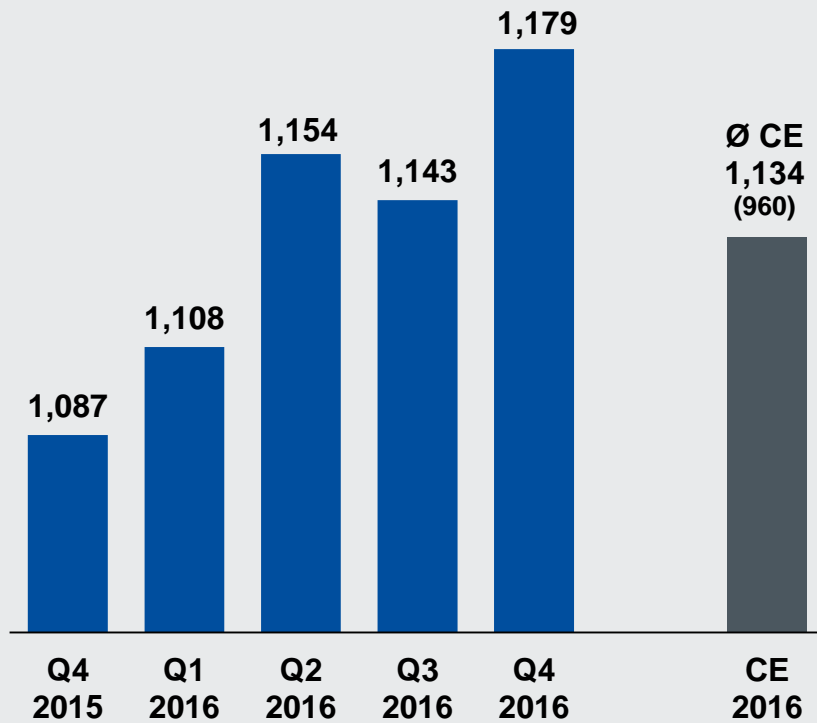


# FUCHS Value Added (FVA)

Increase by 5%

## Capital Employed

€ mn



Cost of Capital = CE x WACC (10%)

# Outlook 2017

Performance indicator	Actual 2016		Outlook 2017
<b>Sales</b>	<b>2,267 Mio €</b>	<b>↑</b>	<b>+4% to +6%</b>
Organic Growth	+3.3%		
External Growth	+8.6%		
Currency	-2.9%		
<b>EBIT</b>	<b>371 Mio €</b>		<b>+1% to +5%</b>
<b>FUCHS Value Added</b>	<b>257 Mio €</b>	<b>↑</b>	<b>Low single-digit percentage range</b>
<b>Free cash flow before acquisitions</b>	<b>205 Mio €</b>	<b>↑</b>	<b>~200 Mio €</b>

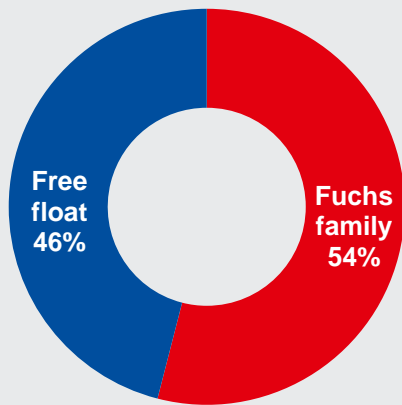
## 03 Shares



# Breakdown ordinary & preference shares

(December 2016)

## Ordinary shares



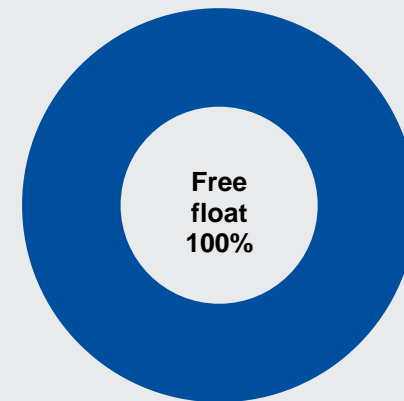
Basis: 69,500,000 ordinary shares

### Characteristics:

- Dividend
- Voting rights

## Preference shares

*MDAX-listed*



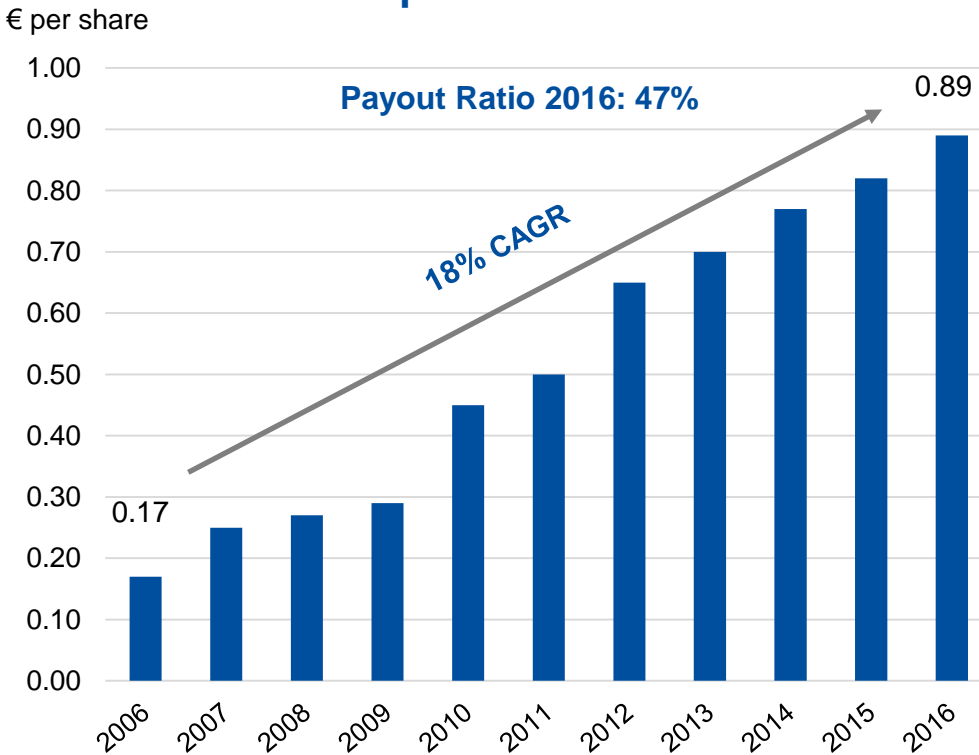
Basis: 69,500,000 preference shares

### Characteristics:

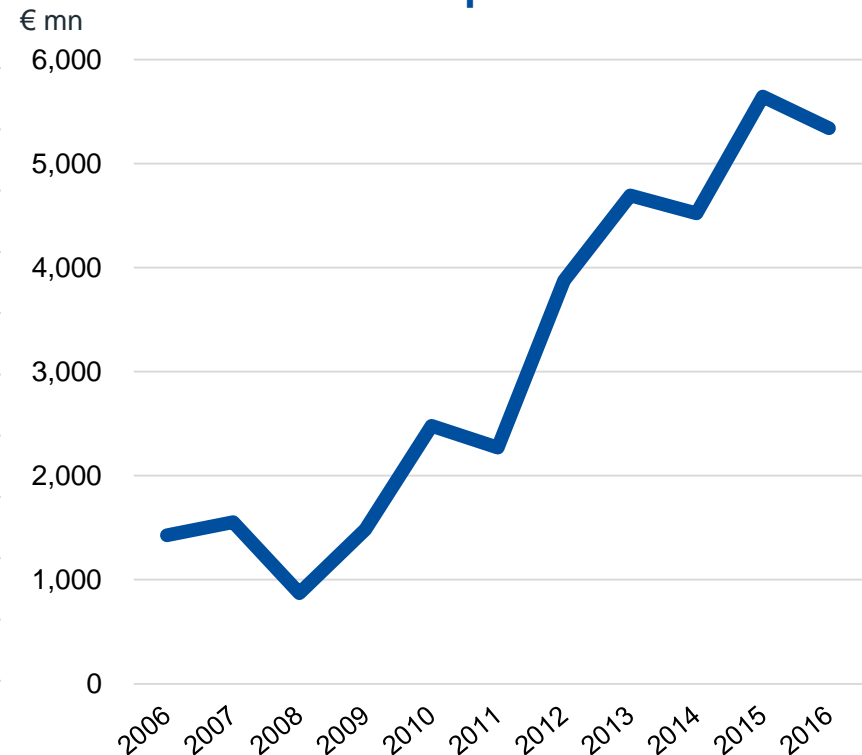
- Dividend plus preference profit share (0.01€)
- Restricted voting rights in case of:
  - preference profit share has not been fully paid
  - exclusion of pre-emption rights (e.g. capital increase, share buyback, etc.)

# Stable dividend policy

## Dividend per Preference Share



## Market Capitalization



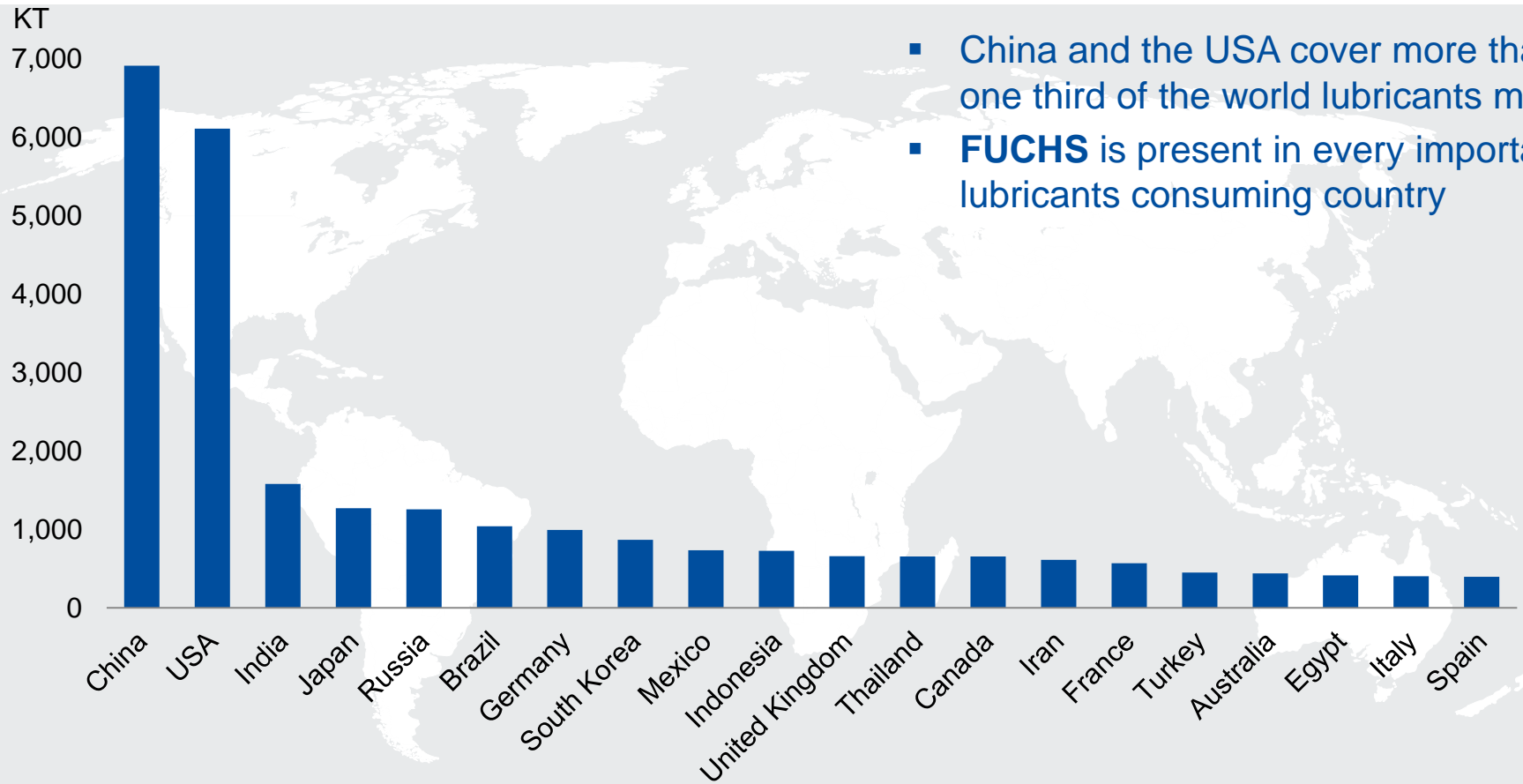
**Our target: Increase the absolute dividend amount each year or at least maintain previous year's level.**

## 04 Appendix



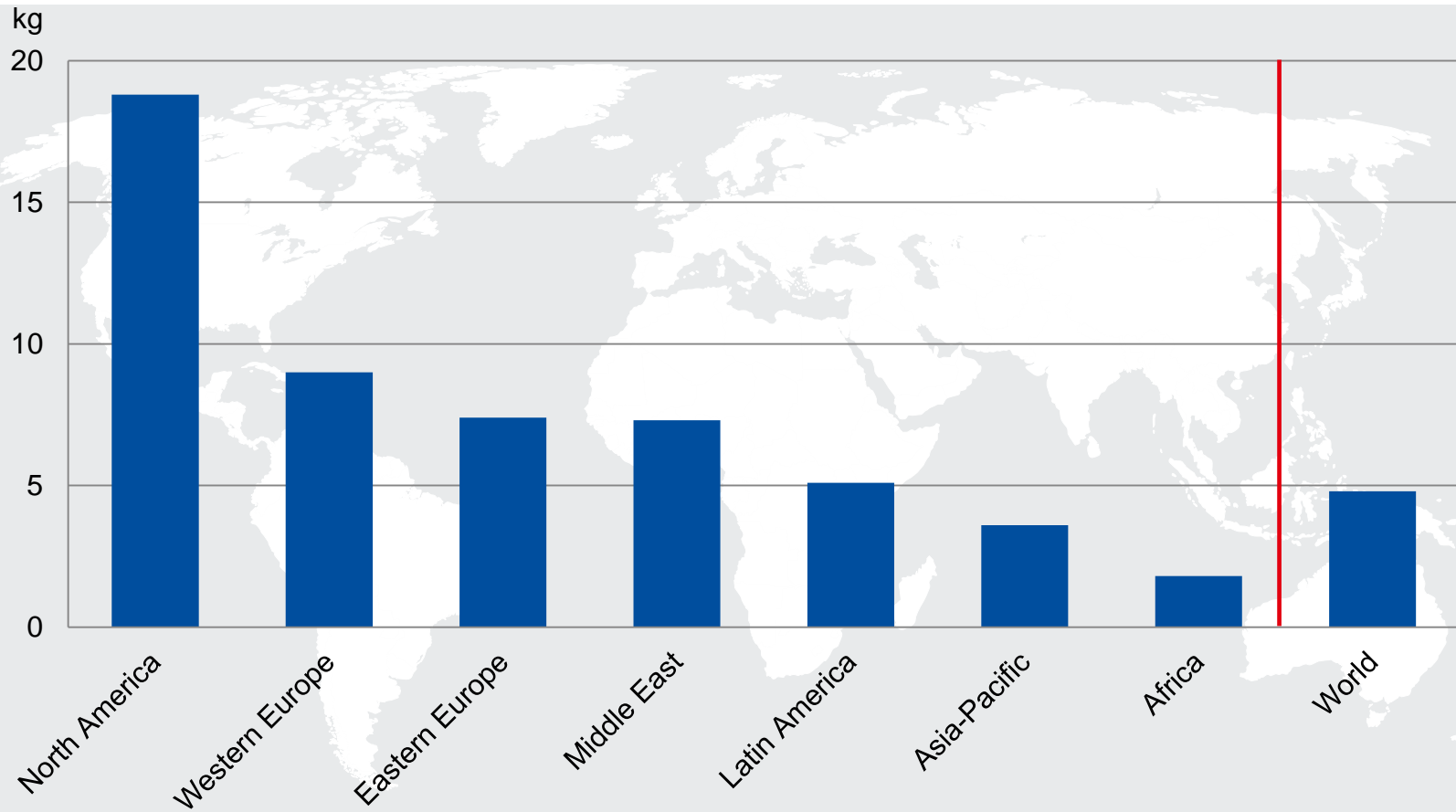


# Top 20 lubricant countries 2016



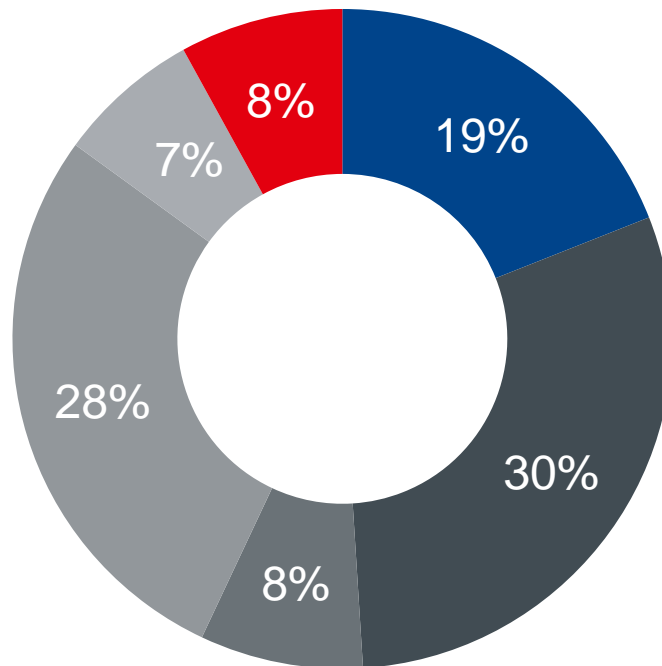
- China and the USA cover more than one third of the world lubricants market
- **FUCHS** is present in every important lubricants consuming country

# Regional per-capita lubricants demand 2016



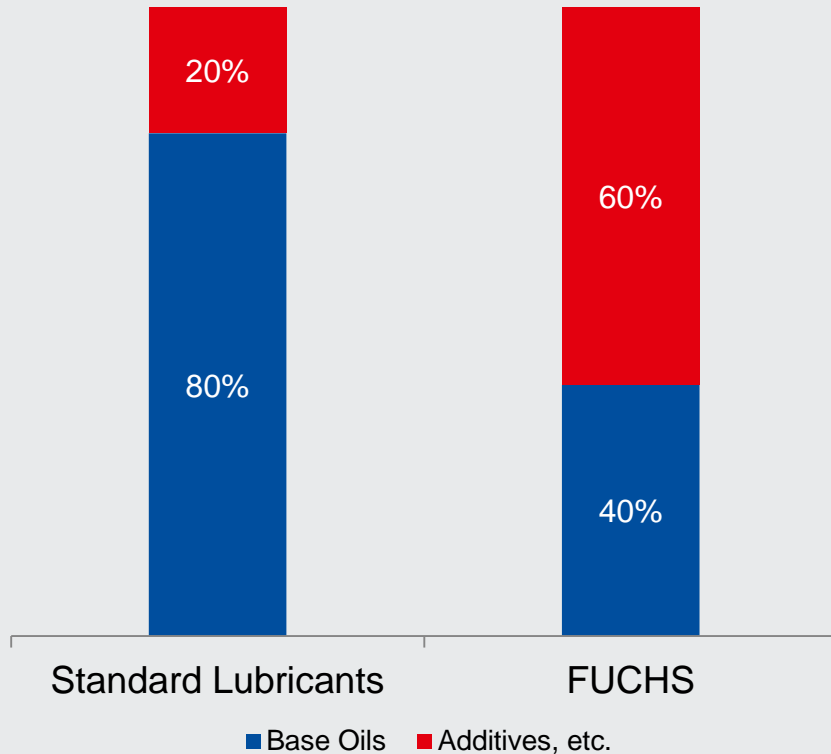
# Well balanced customer structure

## 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

# Base oil / additives value split

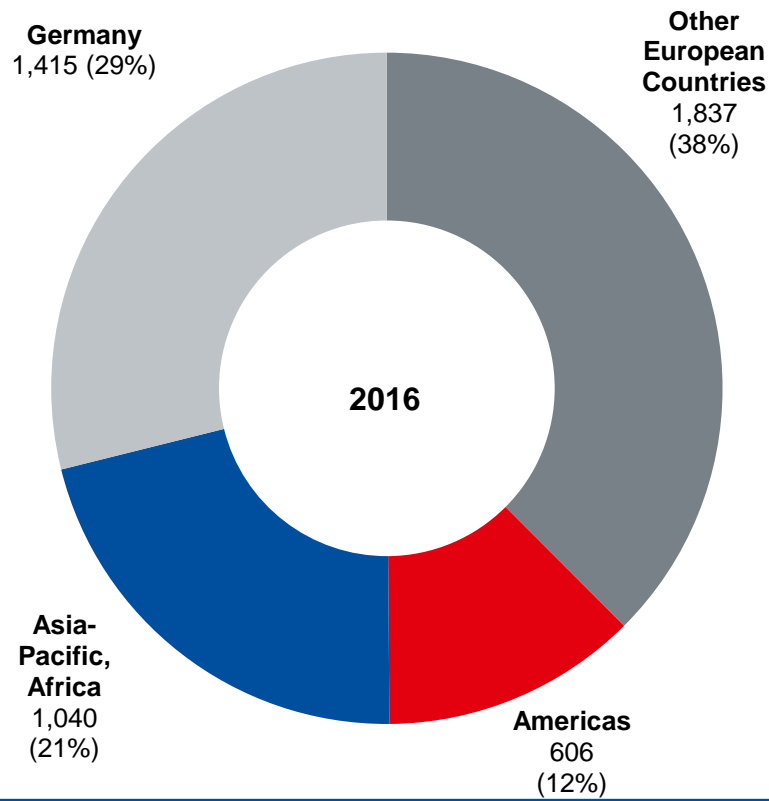


- Base oil prices do not necessarily follow crude oil prices
- No direct link between additives and crude oil prices. We even face price increases for certain raw materials where supply/demand is not balanced or special situations occur
- Special lubricants consist of less base fluid and more additives

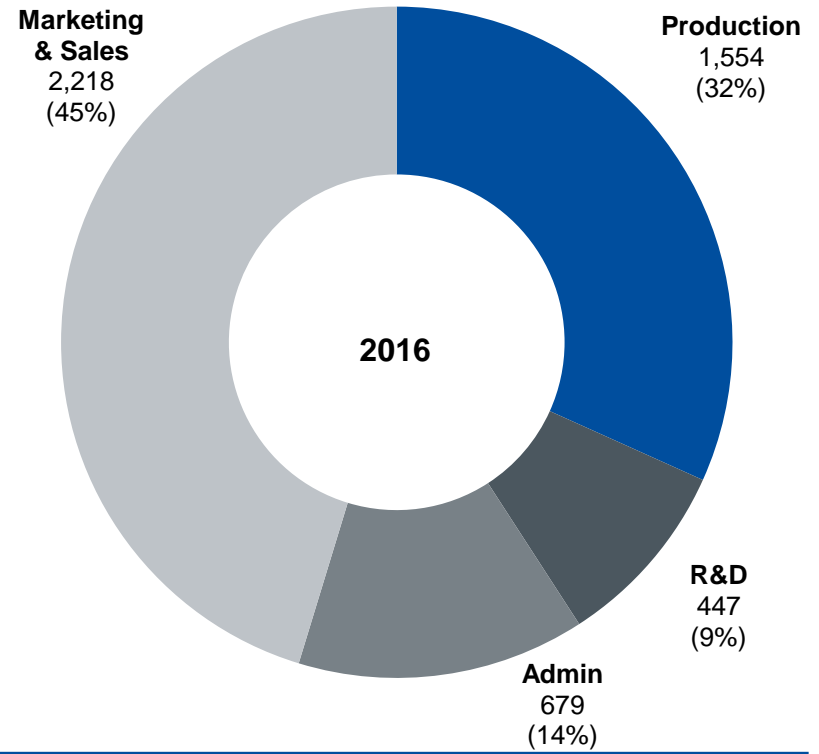
# Workforce Structure

4,898 employees globally

## Regional Workforce Structure



## Functional Workforce Structure

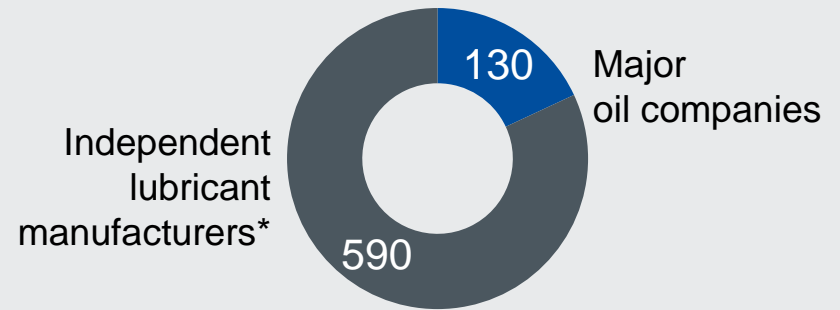


# Further market consolidation to be expected

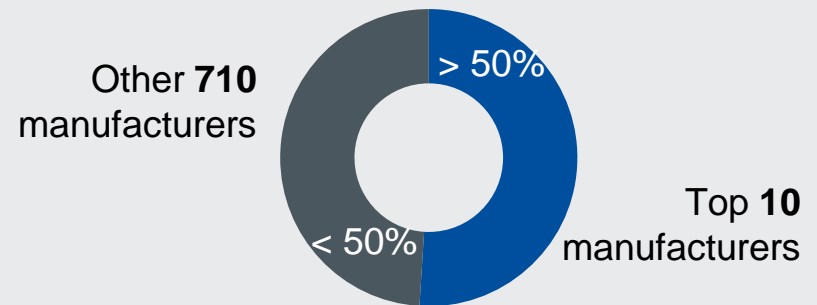
- High degree of fragmentation
- Concentration especially amongst smaller companies

- 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

Return cash to shareholders

Capex

Stable Dividends

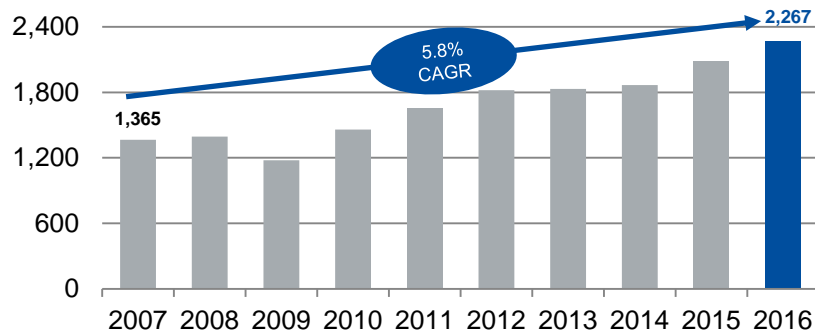
Working Capital

Share Buyback

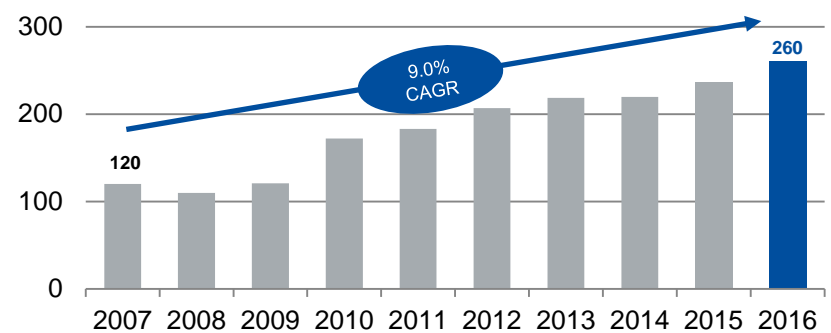
Acquisitions

# Unique Track Record for continued profitability and added value

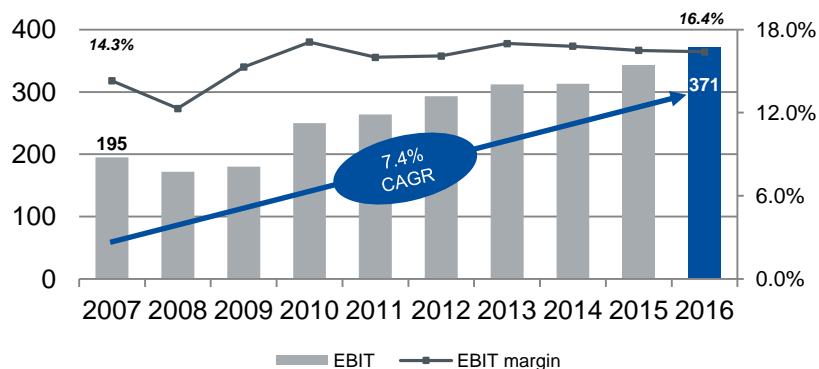
## Sales (in € mn)



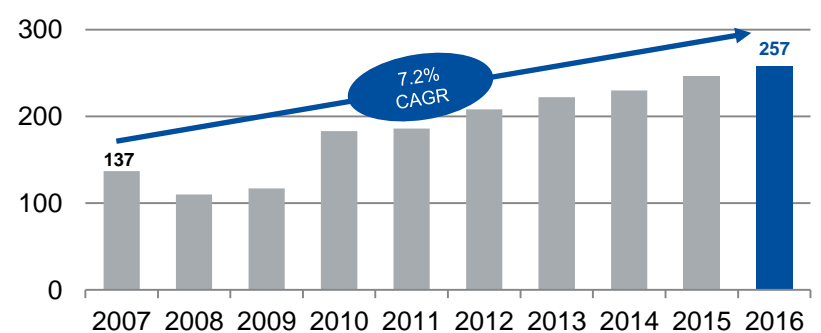
## Earnings After Tax (in € mn)



## 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
Selling, admin., R&D expenses, others	-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

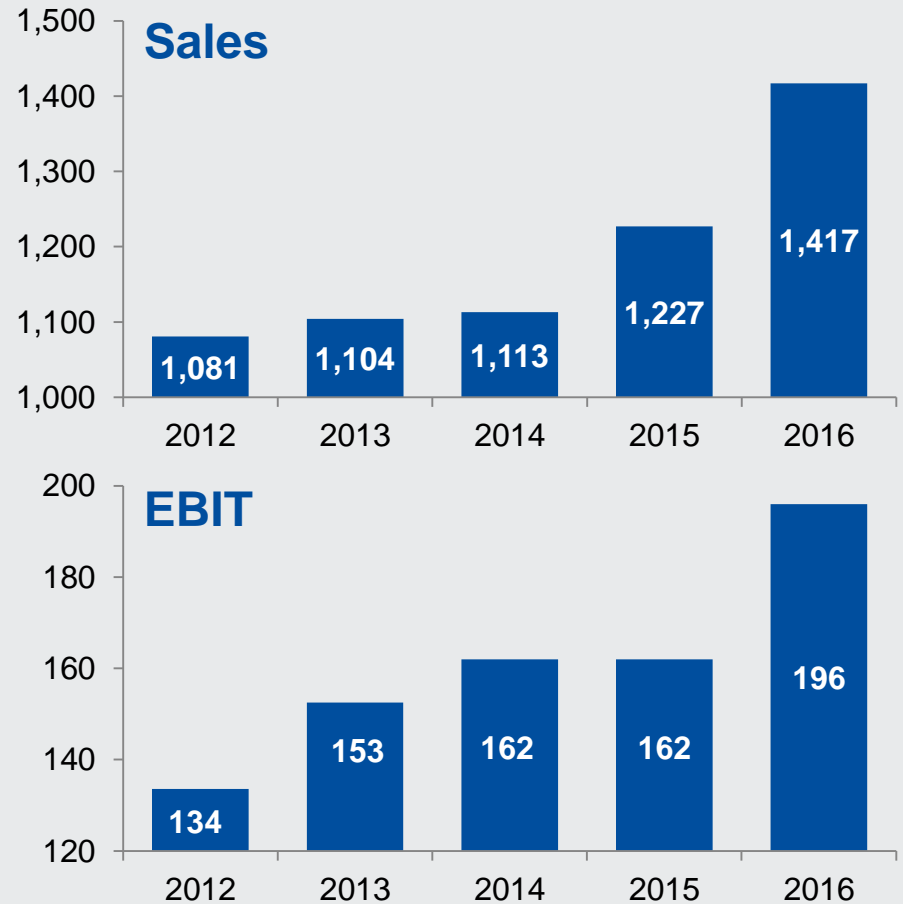
# Europe

2016: Sales + 15.5% / EBIT +21.0%

€ mn



Employees 2016: 3,149 (3,112)



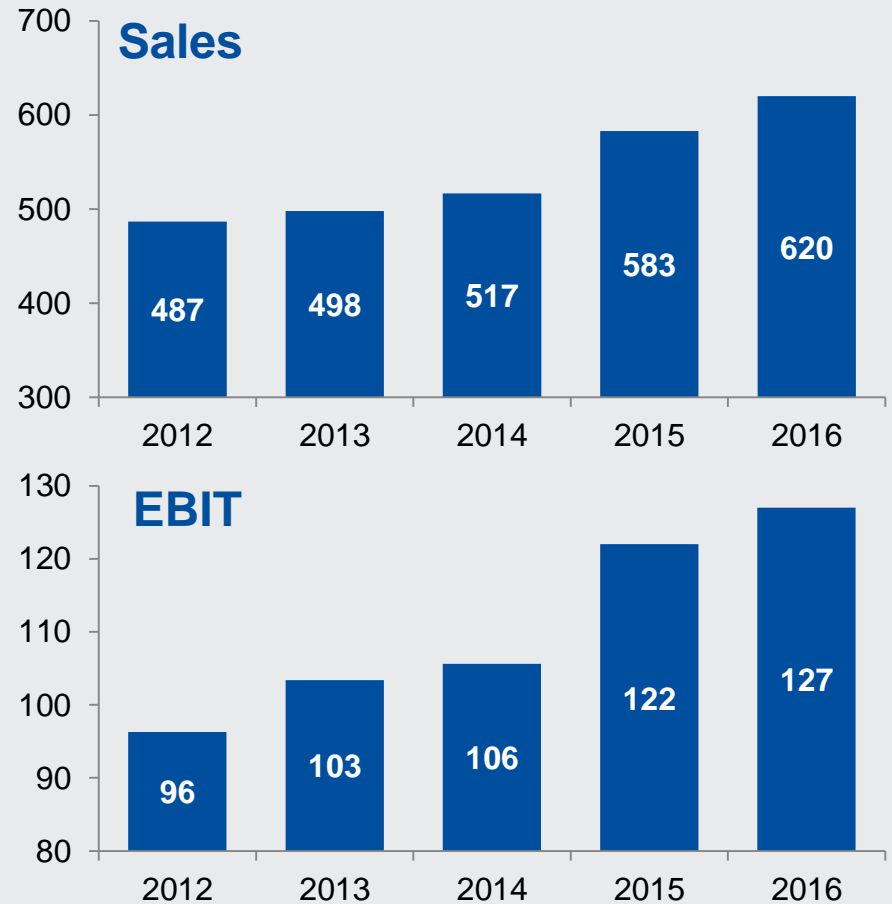
# Asia-Pacific, Africa

2016: Sales + 6.3% / EBIT + 4.3%

€ mn



Employees 2016: 1,040 (1,029)



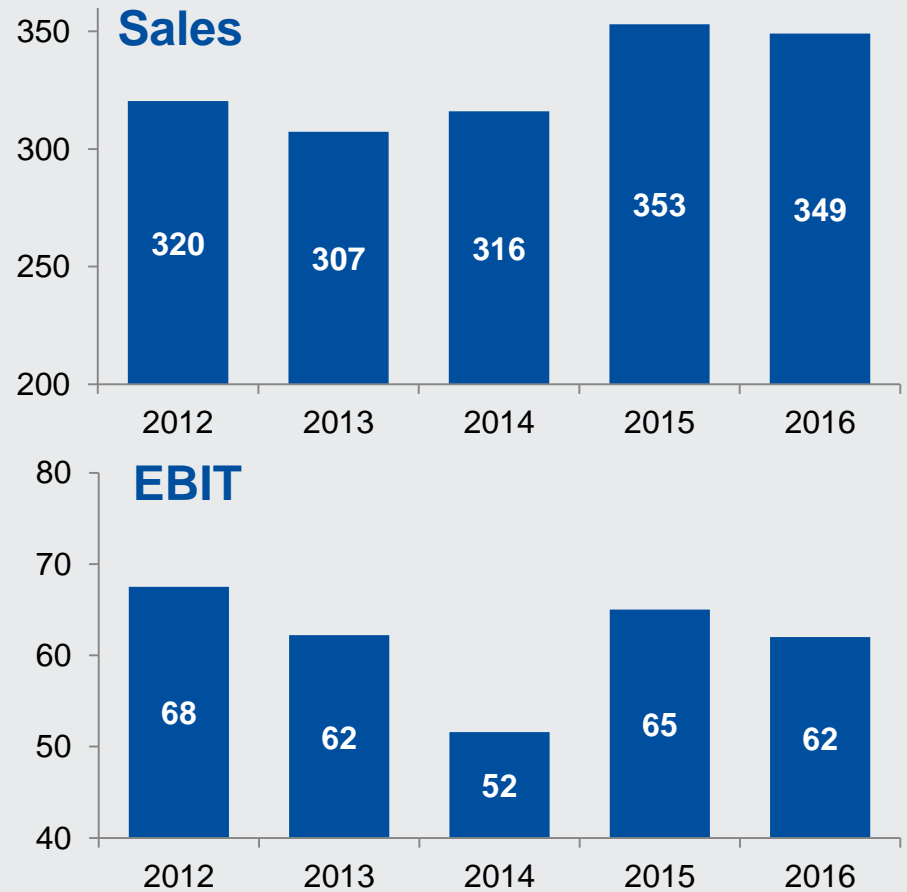
# Americas

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%

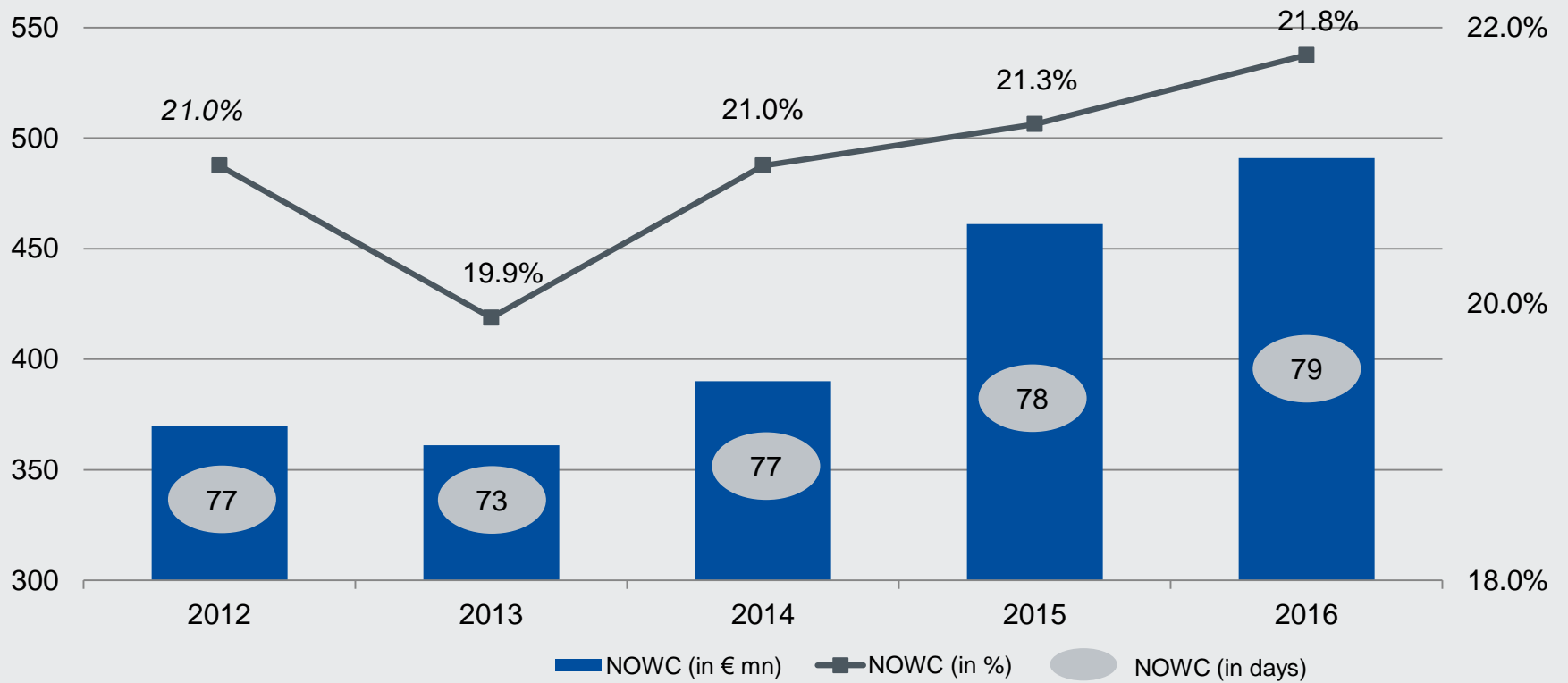
€ mn	2012	2013	2014	2015	2016
Net liquidity	135	167	186	101	146
Operating cash flow	203	221	255	281	300
Free cash flow before acquisitions	141	150	210	232	205
Free cash flow after acquisitions	140	150	188	62	164



# 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 operating working capital (NOWC)\*



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

# Quarterly income statement

€ mn	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
<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>
Gross Profit	188	200	203	200	206	221	214	210
Gross Profit margin	38.1 %	38.8 %	38.2 %	37.1 %	37.4 %	37.7 %	37.8 %	37.1%
Selling, admin., R&D expenses, others	-110	-113	-118	-126	-126	-128	-125	-120
<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>
EBIT margin before at Equity	15.8%	16.8%	16.0%	13.9 %	14.6%	15.8%	15.8%	15.9%
At Equity	4	3	4	7	5	5	4	5
<b>EBIT</b>	<b>82</b>	<b>90</b>	<b>89</b>	<b>81</b>	<b>85</b>	<b>98</b>	<b>93</b>	<b>95</b>
EBIT margin	16.6%	17.5%	16.8%	15.0 %	15.5%	16.6%	16.5%	16.8%
<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>
EBITDA margin	18.3%	19.1%	18.8%	17.1%	17.6%	18.7%	18.6%	18.8%

# Quarterly sales by regions

Sales (€ mn)	2015				
	Q1	Q2	Q3	Q4	FY
Europe	278.3	292.9	321.4	334.4	1,227.0
Asia-Pacific, Africa	146.5	155.7	141.2	139.5	582.9
Americas	88.3	87.8	90.8	85.9	352.8
Consolidation	-20.5	-21.4	-22.2	-19.5	-83.6
<b>FUCHS Group</b>	<b>492.6</b>	<b>515.0</b>	<b>531.2</b>	<b>540.3</b>	<b>2,079.1</b>

Δ Y-o-Y in %
Europe
Asia-Pacific, Africa
Americas
Consolidation
<b>FUCHS Group</b>

2016				
Q1	Q2	Q3	Q4	FY
349.4	371.5	359.2	336.9	1,417.0
144.4	154.0	152.4	168.9	619.7
84.5	87.4	88.1	88.7	348.7
-28.1	-26.9	-33.0	-30.6	-118.6
<b>550.2</b>	<b>586.0</b>	<b>566.7</b>	<b>563.9</b>	<b>2,266.8</b>

2016				
Q1	Q2	Q3	Q4	FY
+25.5	+26.8	+11.8	+0.7	+15.5
-1.4	-1.1	+7.9	+21.1	+6.3
-4.3	-0.5	-3.0	+3.3	-1.2
-	-	-	-	-
<b>+11.7</b>	<b>+13.8</b>	<b>+6.7</b>	<b>+4.4</b>	<b>+9.0</b>

# Quarterly EBIT by regions

EBIT (€ mn)	2015				
	Q1	Q2	Q3	Q4	FY
Europe	39.4	43.3	44.9	34.4	162.0
Asia-Pacific, Africa	26.6	32.5	28.0	35.1	122.2
Americas	16.5	16.4	17.5	14.5	64.9
Consolidation	-0.8	-2.3	-1.1	-2.7	-6.9
<b>FUCHS Group</b>	<b>81.7</b>	<b>89.9</b>	<b>89.3</b>	<b>81.3</b>	<b>342.2</b>

2016					
Q1	Q2	Q3	Q4	FY	
43.1	51.8	53.8	46.5	195.2	
29.2	31.8	28.8	37.6	127.4	
15.1	16.4	15.8	15.0	62.3	
-2.2	-2.5	-4.9	-4.6	-14.2	
<b>85.2</b>	<b>97.5</b>	<b>93.5</b>	<b>94.5</b>	<b>370.7</b>	

Δ Y-o-Y in %
Europe
Asia-Pacific, Africa
Americas
Consolidation
<b>FUCHS Group</b>

2016					
Q1	Q2	Q3	Q4	FY	
+9.4	+19.6	+19.8	+35.2	+20.5	
+9.8	-2.2	+2.9	+7.1	+4.3	
-8.5	0	-9.7	+3.4	-4.0	
-	-	-	-	-	
<b>+4.3</b>	<b>+8.5</b>	<b>+4.7</b>	<b>+16.2</b>	<b>+8.3</b>	

# Regional sales growth FY 2016

Organic Growth (in %)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Europe	1.8	4.7	4.7	2.7	3.5
Asia-Pacific, Africa	2.0*	2.5	11.0	22.5	9.2
Americas	-3.4	1.8	-4.0	-1.5	-1.8
<b>Total</b>	<b>1.1</b>	<b>3.7</b>	<b>3.0</b>	<b>5.2</b>	<b>3.3</b>
External Growth (in %)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Europe	24.9	24.4	9.3	0.0	14.0
Asia-Pacific, Africa	2.9*	4.8	0.0	0.0	2.0
Americas	2.0	3.4	2.1	3.0	2.6
<b>Total</b>	<b>13.7</b>	<b>14.9</b>	<b>6.0</b>	<b>0.5</b>	<b>8.6</b>
FX effects (in %)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Europe	-1.2	-2.3	-2.2	-2.0	-2.0
Asia-Pacific, Africa	-6.3	-8.4	-3.1	-1.4	-4.9
Americas	-2.9	-5.7	-1.1	1.8	-2.0
<b>Total</b>	<b>-3.1</b>	<b>-4.8</b>	<b>-2.3</b>	<b>-1.3</b>	<b>-2.9</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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March 21, 2017	Full Year Results 2016
April 28, 2017	Quarterly Statement Q1 2017
May 5, 2017	Annual General Meeting
August 1, 2017	Financial Report H1 2017
October 27, 2017	Quarterly Statement Q1-3 2017

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## Contact

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