ANNUAL REPORT 2016

In Motion

LUBRICANTS.
TECHNOLOGY.
PEOPLE.

FUCHS

FUCHS at a glance

FUCHS Group
Amounts in € million

	2016	2015	Change in % [3]
Sales revenues [1]	**2,267**	**2,079**	**9.0**
Europe	1,417	1,227	15.5
Asia-Pacific, Africa	620	583	6.3
North and South America	349	353	–1.2
Consolidation	–119	–84	41.9
Earnings before interest and tax and before income from companies consolidated at equity	**352**	**324**	**8.6**
in % of sales revenues	15.5	15.6	
Earnings before interest and tax (EBIT)	**371**	**342**	**8.3**
Earnings after tax	**260**	**236**	**10.0**
in % of sales revenues	11.5	11.4	
Investments in long-term assets	**93**	**50**	**87.7**
in % of scheduled depreciation [2]	199	128	
Free cash flow before acquisitions	**205**	**232**	**–11.5**
Shareholders' equity	**1,205**	**1,070**	**12.6**
in % of balance sheet total	71.9	71.8	
Balance sheet total	**1,676**	**1,490**	**12.5**
Employees as at December 31	**4,898**	**4,823**	**1.6**
Earnings per share (in €)			
Ordinary share	1.86	1.69	10.1
Preference share	1.87	1.70	10.0
Proposed dividend / dividend (in €)			
per ordinary share	0.88	0.81	8.6
per preference share	0.89	0.82	8.5

[1] By company location.
[2] Capital expenditure excluding financial assets.
[3] Change in % is calculated from the absolute values with one decimal place.

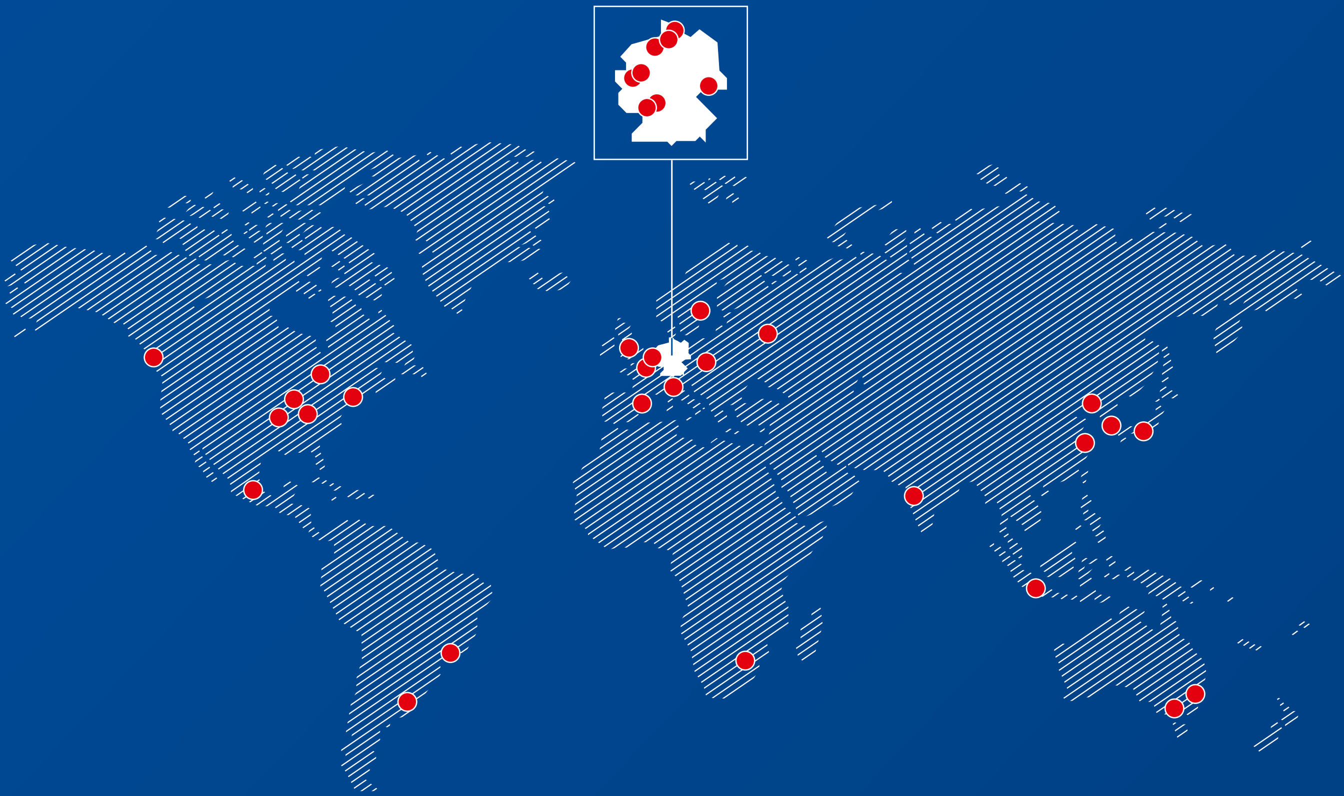
Group structure

FUCHS PETROLUB SE, Mannheim, is the parent company of the FUCHS Group. Arranged in three segments, 57 operating companies make a contribution to the further development of our business on a local level, while also helping to identify and utilize 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 65. In addition to this, five associated companies/joint ventures were included using the equity method. Of the 57 operating companies, five conduct their business activities in Germany and 52 abroad.

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

Group companies and production locations



Group companies and production locations

As at December 31, 2016	Group companies [1]	Production locations
Germany	5	8
Other European countries	26	8
Asia-Pacific	18	8
Africa	2	1
North America	4	7
South America	2	2
Total	**57**	**34**

[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 57 operating companies with around 5,000 employees in over 40 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

THE FUCHS GROUP MAGAZINE

In Motion

LUBRICANTS.
TECHNOLOGY.
PEOPLE.
FUCHS

CONTENTS

» The world is changing at a rapid pace; networked society is increasing the pace. More than ever, we are acting as an agile company

that sees this change as an opportunity. Global markets and technologies are changing at extreme speed. We create value for our customers, partners and shareholders with our globally defined brand and the promise 'technology that pays back'. For us, it is clear that you can only be a global leader by being dynamic. We are always in motion. «

STEFAN FUCHS | CHAIRMAN OF THE EXECUTIVE BOARD

OUR BUSINESS MODEL – FOR OVER 85 YEARS

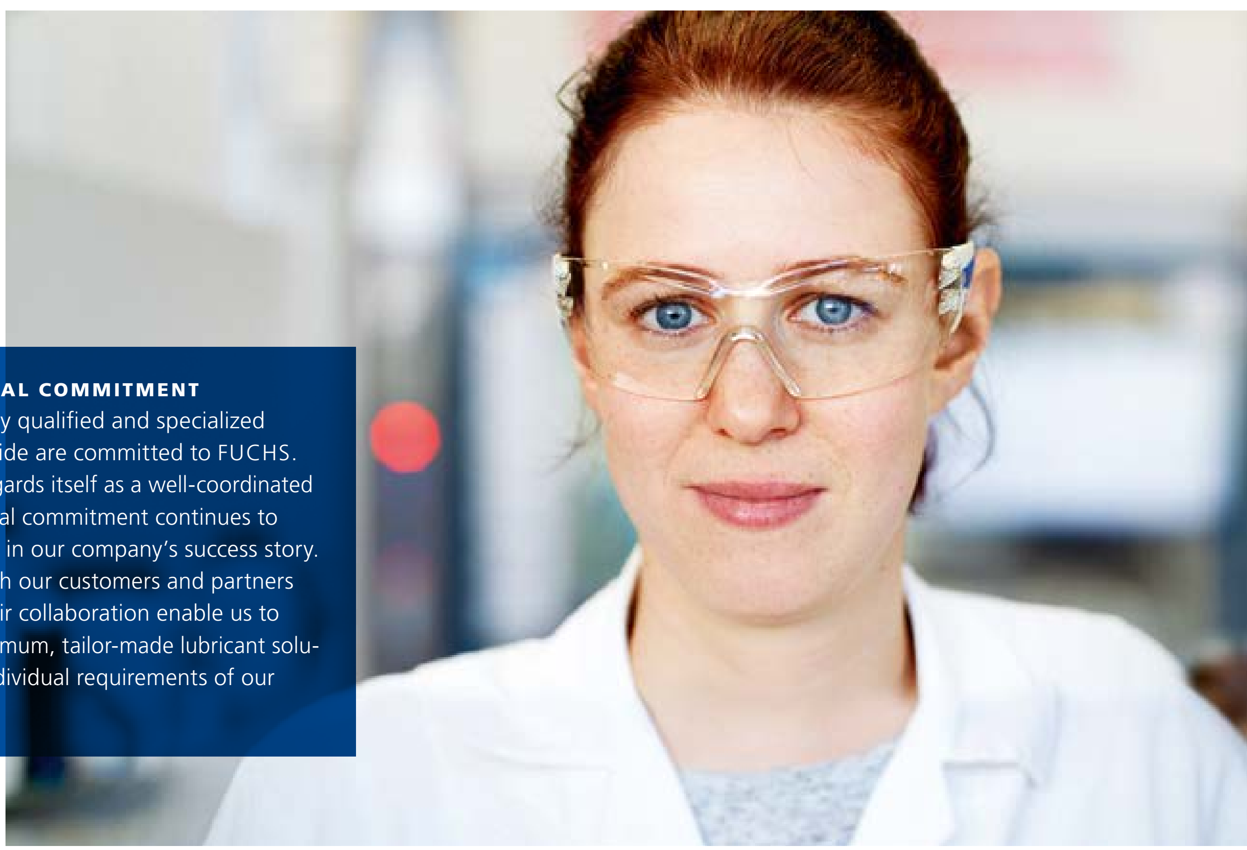
LUBRICANTS.TECHNOLOGY.PEOPLE. Our company rests on these three pillars. As a mission statement, they are the basis for our daily activity around the world and simultaneously the core of the FUCHS brand.

LUBRICANTS. 100% FOCUS

Worldwide, FUCHS focuses 100% on the development, manufacture, 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 comply with exacting national and international standards.

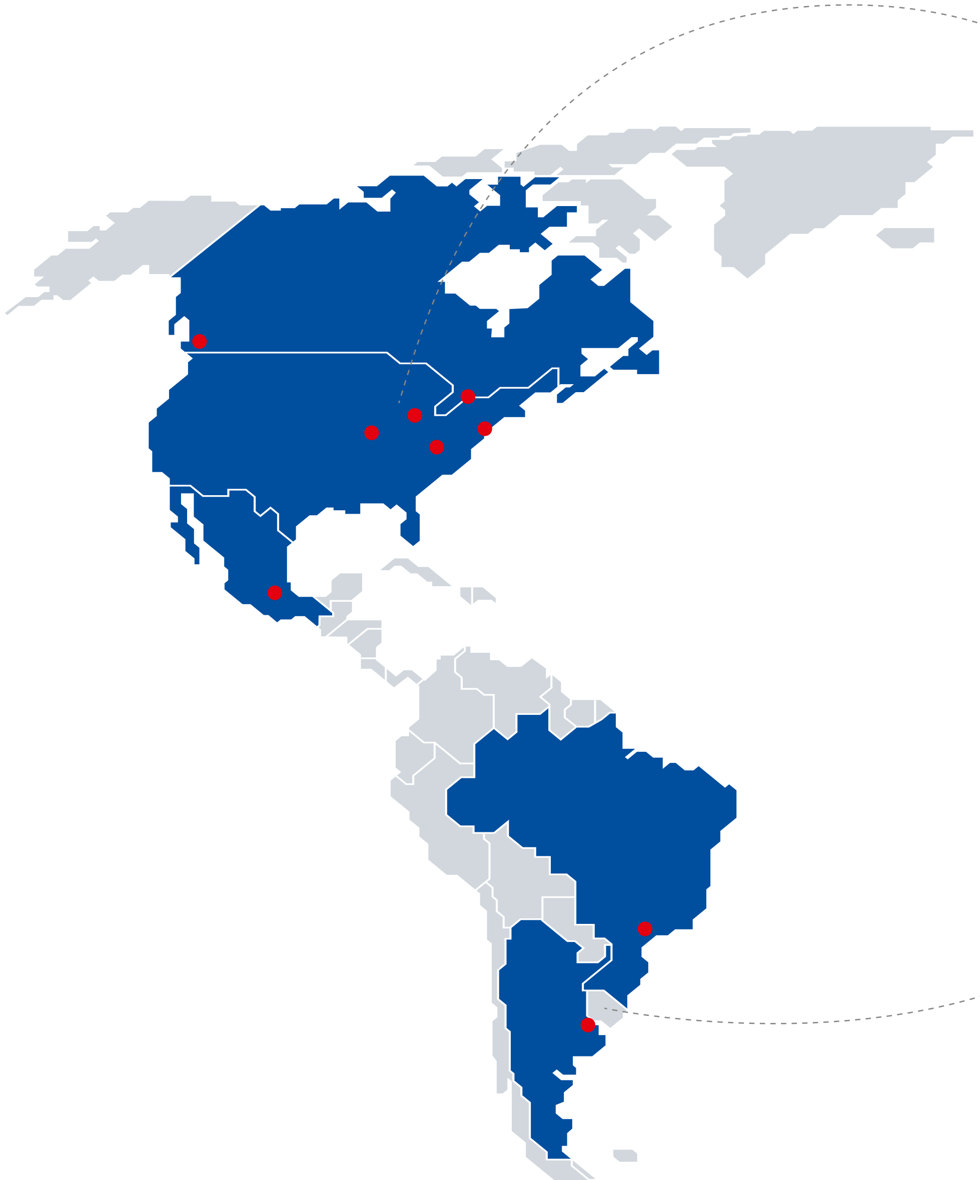
TECHNOLOGY. HOLISTIC SOLUTIONS

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.



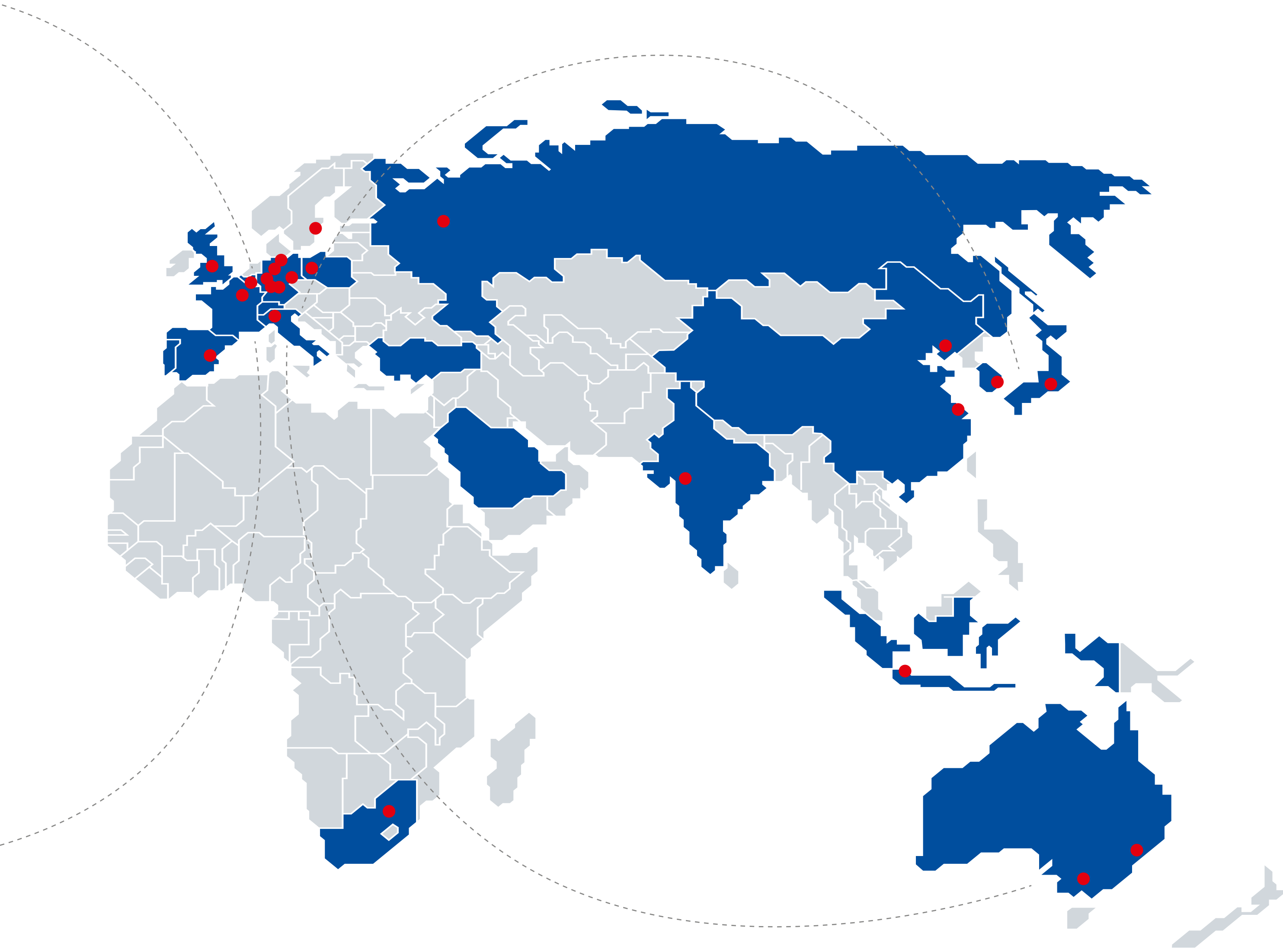
PEOPLE. PERSONAL COMMITMENT

Almost 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.



FUCHS WORLDWIDE

We are where our more than 100,000 customers need us – in over 45 countries around the globe. This local presence and our employees with their extraordinary know-how form the basis of our success. In 57 operating companies and 34 plants, they communicate every day in order to network their expert knowledge.



57

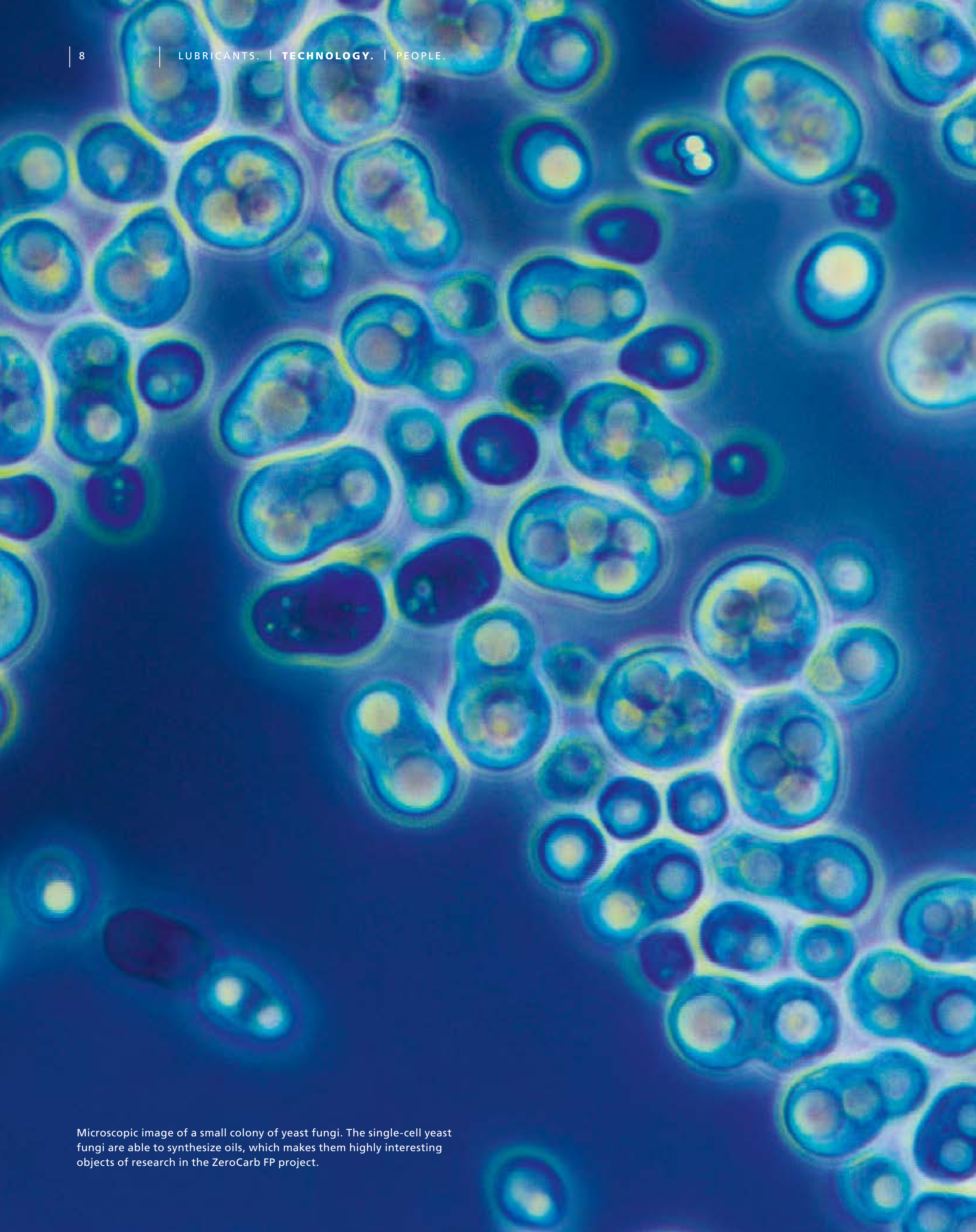
operating companies worldwide

5	Germany
26	Other European countries
18	Asia-Pacific
2	Africa
4	North America
2	South America

34

production locations worldwide

8	Germany
8	Other European countries
8	Asia-Pacific
1	Africa
7	North America
2	South America



Microscopic image of a small colony of yeast fungi. The single-cell yeast fungi are able to synthesize oils, which makes them highly interesting objects of research in the ZeroCarb FP project.

WASTE TO VALUE

Renewable raw materials are all the rage right now, but the ZeroCarb FP research alliance is going one step further. They want to make certain kinds of waste the basis of high-value products. FUCHS is working with project partners to, among other things, obtain key components of different lubricants from old frying fat using an innovative, resource-conserving process.

By Ulrich Pontes

The word “ZeroCarb” is printed on the white pot, which, judging by its shape, looks like it could contain face cream. The laboratory technician uses a spatula to scoop up a small amount of grease and spread it on a small metal plate. This is part of a piece of equipment on the laboratory bench, which from a distance resembles a food processor – but with a connected control PC. The laboratory technician presses a button to start the measurement: A second metal plate slides down onto the grease and, almost imperceptibly, starts to rotate.

The head of advanced development at FUCHS SCHMIERSTOFFE GmbH in Mannheim is standing next to her, talking excitedly about everything that this relatively simple-looking piece of equipment can do. The equipment in question is a rheometer, whose name is derived from the Greek word for “flow.” “Many lubricants are not merely viscous; they have a small elastic component, too.” He places the palm of one hand loosely on the other and turns them against each other. “If you twist a layer of lubricant like this, there is a tiny amount of restoring force.” This is what the rheometer measures when it rotates the plates, with precisely predefined parameters such as plate distance and temperature. "The lowest possible speed is two rotations per year. Per year!" emphasizes the department head.

Ultimately, the head of advanced development continues, rheometer testing like this combines multiple standard test procedures for lubricants in a single, automated measuring process. As such, this process is a key element of what he and his staff want to achieve: The developers want to see whether the lubricant in the rheometer – with the first full prototypes from the ZeroCarb research project (see "The ZeroCarb FP strategic alliance") – behaves exactly as predicted.

An unusual genesis
This might sound unspectacular, but it is an amazing achievement because the ZeroCarb product represents a major advance in terms of sustainability. Thanks to a new synthesis process, one of its key constituents can be obtained from another, sustainable resource: used cooking oil. "In other words, the stuff that chip shops and restaurants up and down the country produce every day as waste," says the head of advanced development. This completes the cycle of materials in an eco-friendly manner. Renewable raw materials mean that we no longer have to choose between "food or fuel", because now we can have "food then fuel." But the focus is not just on lubricants: The aim of ZeroCarb is to produce other materials, with even more flexible uses. "For FUCHS, this could ultimately represent another major step away from fossil fuels toward sustainably produced raw materials," continues the head of advanced development, emphasizing the strategic aspect.

The process of refining old frying fat to create a high-quality raw material involves two steps. The first step, in which the fat molecules are split open, is common practice in biodiesel production. The second step, however, is highly innovative and was completely redesigned from the ground up for the ZeroCarb project. An enzyme – a biochemical catalyst produced from living organisms – plays a key role here. "We exploit the synthesis activity seen in the natural world," says the head of advanced development.

To find out more about the background to this particular step in the production process, you have to travel a good 30 kilometers northeast from the FUCHS laboratories. In a protected industrial, Bauhaus-style building in the attractive town of Zwingenberg, which lies on the Hessian Bergstrasse, are the headquarters of BRAIN AG, in a converted Fissan powder building. This research-focused biotechnology company is a project partner of FUCHS.

Refrigerators full of bacteria and algae
We are first led into a nondescript underground room containing perhaps a dozen wide refrigerators. "This is the heart of BRAIN AG – our bioarchive," explains Dr. Wolfgang Aehle. The highly experienced chemist is responsible for corporate development in the field of performance proteins and enzymes. "These refrigerators contain our collection of microorganisms and microalgae – in total, around 53,000 different strains isolated from, for example, ground or water samples."

These largely un-researched bacteria, yeasts and algae produce countless enzymes to help them biochemically convert molecules from their natural environment for their own metabolic processes. But some of these enzymes are potentially viable for technical applications. In domestic products, for example, they can help to increase the stain removal properties of washing agents; or they can modify organic molecules from certain kinds of waste so that they can potentially be used in the production of lubricants.

The ZeroCarb FP strategic alliance

The name stands for "zero-carbon footprint", which the research alliance is aiming to achieve through the recycling and biotechnological refinement of carbon-containing waste streams. The subproject teams focus on different areas including wastewater, exhaust gases and byproducts of biodiesel production. Since 2013, this alliance – which, in addition to FUCHS SCHMIERSTOFFE GmbH and BRAIN AG, includes several other companies from a range of different industries – has been sponsored by the Federal Ministry of Education and Research as part of the "Industrial Biotechnology" initiative.

9 years – that's how long the project is expected to last.
The project is divided into three phases, with phase two already approved and launched at the end of 2016.

To ensure the practicability of this application, the experts in Zwingenberg first need detailed input, which is to come from the enzyme. This input was provided, in this case, by the FUCHS advanced development team, explains Dr. Birgit Heinze, ZeroCarb project manager at BRAIN. And now this is where the expertise of the biotechnology specialists comes in. “The first step is screening,” says the project manager. This is a process that involves identifying potential enzyme candidates and producers, for example using microorganisms that the researchers know possess the ability to functionalize fatty acids. One door down, in the molecular biology laboratory, the microorganisms are cultivated and then tested for their ability to produce the required molecule.

“This qualitative preselection process is followed by the quantitative examination,” continues Birgit Heinze. This process involves clarifying, for example, exactly how and how effectively the enzyme works. “Parallel to this, we start to develop the actual biocatalytic process.” To simulate the technical process in which the enzyme is to convert the raw material into the final product, the scientists use a SpinChem reactor – a saucepan-sized glass container with a stirrer and perforated chamber attached. This contains the enzyme, which is on a carrier material. “Here we can see, for example, how stable the enzyme is,” says the project manager.

The challenge of upscaling

Using different methods, the researchers can optimize the performance of the enzyme, for example by promoting the evolutionary development of the original microorganism in the hope that the enzyme, too, will evolve and become more effective. “At the same time, we have to develop a second process: the biotechnological production of the enzyme itself,” says Wolfgang Aehle. It is not generally the original organism that is used here, but instead a well-researched production organism such as coliform bacteria. “Into this we transfer the genetic blueprint for the desired enzyme so that the organism can then produce this enzyme.”

Dirk Bogaczyk,
employee from the River Emscher water management association (Emschergenossenschaft) in Essen and overall coordinator for the first phase of the ZeroCarbFP strategic alliance (2013–2016)

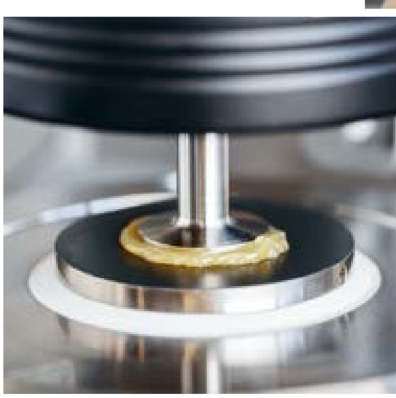
Mr. Bogaczyk, what is the goal of ZeroCarb FP?

The goal is essentially to create a closed, highly effective carbon cycle. To achieve this, carbon compounds from industrial waste and byproduct flows are to be biotechnologically converted – that is, using microorganisms – into new resources. We are experiencing a raw material revolution. Many industries are trying to reduce their dependence on petroleum, switch to sustainably produced raw materials and employ alternative, ecofriendly processes. Politicians are supporting this revolution with the “National Research Strategy BioEconomy 2030”, which was initiated in 2010. And given global economic and population trends, this revolution cannot come soon enough. The demand for food is expected to double by 2050, as is the volume of waste; in addition, the volume of bioplastics is expected to triple.

What, specifically, is the team researching?
The team is working in different areas. For us in the water industry association, we are, of course, interested in the processes involved in extracting carbon and other resources from wastewater. Other subprograms are focused on, for example, glycerin, a residual product of biodiesel production, while others are focusing on carbon dioxide in flue gas. With the help of biotechnological processes, these resources are to be used to produce flexible platform chemicals, bioplastics and additives for lubricants.

What are the biggest challenges?
In the field of biotechnology, upscaling is always tricky. In the research phase, producing quantities in the milliliter or milligram range is generally considered an achievement. We do not yet know whether and how processes can subsequently be upscaled to the liter or even cubic-meter range. Another challenge is to leverage synergies. Previously, the subprograms operated relatively independently, but now we have to foster a collaborative mindset and use processes and systems for a variety of applications and resource streams. This is closely connected with the third major challenge. Ultimately, it’s not enough simply to develop processes that function. They also have to be economically competitive and, ideally, remain competitive even in the face of ever-changing conditions such as fluctuations in the price of oil or demand for certain specific raw materials.

How can we improve these oils so that we are even better equipped to deal with upcoming technological advances? The head of advanced development talks to his team leader. Her tasks include coordinating the ZeroCarb activities at FUCHS.



Preparations for a rheometer analysis to ascertain the properties of the lubricant. The smaller picture shows the second, rotating plate in its start position for the measurement. Then the black cover is lowered, meaning that you can no longer see the measurement plates. The cover ensures that the temperature can be regulated to predefined values.

The BRAIN employee opens the door to another laboratory, where we can see not just small glass reactors, but also vast steel vessels, the biggest of which is several stories high. Aehle explains: “One major challenge is upscaling. When the microorganisms grow as we want them to in a one-liter fermenter, this does not necessarily mean that the process will also function on a larger scale.” The researchers at BRAIN want to control enzyme production in a fermenter with a capacity of least 200 liters before approving the process for industrial-scale production.

Close-up of a piece of apparatus for special, long-term stability testing.

Over the course of the three-year project research phase, which has just come to an end, even the production of just one kilo of raw material may be considered a success. “We needed around three grams of enzymes for that,” says Birgit Heinze. At FUCHS in Mannheim, however, this one kilo of raw material helped to produce several kilos of lubricant. “In preliminary experiments, we worked with just 10 grams and more of raw material. To produce such tiny quantities of lubricants, the colleagues stood there with a thermometer for one or two hours and did the stirring themselves,” explains the advanced development team leader, who is coordinating the ZeroCarb project at FUCHS. “And in the pre-development phase, our state-of-the-art measuring techniques mean that, even with just a few grams, we can conduct highly informative investigations.”

Crucial to this is the aforementioned rheometer. In just a few simple steps, it can be modified for tribometric tests – that is, measurements where friction and wear also play a role. “On the basis of these results, state-of-the-art simulation methods allow us to make astonishingly accurate predictions for real-life applications,” says the head of advanced development. And this is why he has no doubt that ZeroCarb lubricants will fulfill all functional requirements. Nevertheless, proper application tests are still necessary for demonstrating compliance with all specifications. These become possible in the next scaling step, i. e. with around 50 kilos of raw material.

But there’s another soon-to-be-addressed aspect that the lubricant developer finds even more exciting: the minimum requirements. The team leader asks a crucial question: “How pure do the raw materials have to be? This will ultimately determine the price.” So in addition to all the technical activities, another challenge facing FUCHS and its partners during the scheduled project runtime up to 2022 will be to address the various economic issues, which have so far not been considered in any great detail. ■

IN MOTION

FUCHS, number one among independent lubricant suppliers, has been growing constantly for years. The Chairman of the Executive Board Stefan Fuchs sees the ability to adapt as an important factor in this success and explains where FUCHS is currently moving and changing.

By Silke Wernet

Mr. Fuchs, how would you assess the financial year 2016?
We are very pleased that we have followed on from 2015, when we exceeded the two-billion mark for the first time, with sales revenues of €2.3 billion in the past financial year. Our growth in sales revenues in 2016 was dominated in particular by the large acquisitions DEUTSCHE PENTOSIN-WERKE GmbH and STATOIL FUEL & RETAIL LUBRICANTS (SFRL), which are both included over the full twelve months for the first time. Our organic growth was mainly in Europe, especially in Germany and Eastern Europe. Also in Asia, especially in China and India, we achieved very good results. We made important changes for the future in America – including the expansion of our product portfolio, two smaller acquisitions and large investments at the Chicago site.

> **» Over more than 85 years, we have always responded quickly to changing market conditions and used this to our advantage. We were and are always in motion. «**
>
> STEFAN FUCHS | CHAIRMAN OF THE EXECUTIVE BOARD

Including 2016, your company has therefore increased its earnings for the eighth time in a row. Why is FUCHS such a success story?

There are many reasons. In addition to our motivated team, a very important one is that we were and are always moving. In our more than 85-year history, we have always responded quickly to changing market conditions and used changes to our advantage: After it was founded, our company was gradually expanded internationally up to the 1970s. It was by no means an easy decision for our family to go public – but we took the chance to do so in 1985. After more than 30 years, we have a clean record: There hasn't been a single year with a loss, and we have always been able to pay dividends. The IPO was followed by some major acquisitions around the world. This resulted in a mix of locations with the genuine FUCHS culture, such as China, where we established ourselves back in the 1980s, and acquisitions that we had to integrate culturally and in terms of infrastructure. This was successfully accomplished over the years.

You have also made groundbreaking decisions in the more recent past.
The world is changing at a rapid pace. This change must be seen as an opportunity. We are therefore undergoing a process of change in which we have already taken crucial steps in order to successfully overcome future challenges. For example,

€300 million,

which FUCHS will invest in its growth initiative by 2018, is the largest investment budget in the company's history. About €100 million has already been spent in 2016.

GERMANY

Developments at the Mannheim and Kaiserslautern sites with warehouse and office expansions. The completion of the new test field building considerably increased research capacity in Mannheim.

SWEDEN

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

CHINA

In Wujiang (Jiangsu province), a new 80,000-square-meter factory with eight filling lines, two warehouses and 55 tanks – one of the most modern lubricant production facilities in China – will be built by the end of 2018.

USA

As part of the 3C commitment to offer identical grease for OEM customers on three continents, the production of 29 different specialty greases will start in the new factory in Harvey, Chicago, in February 2017.

SOUTH AFRICA

The new grease plant near Johannesburg will produce a diverse range of greases starting in summer 2017. State-of-the-art technology will allow South African customers' constantly rising demands to be met.

AUSTRALIA

The plant in Beresfield near Newcastle will commence operations in April 2017. The new site guarantees continued proximity and efficient supply to customers in Australia.

in 2012 we came up with the mission statement "LUBRICANTS. TECHNOLOGY. PEOPLE." complemented by our values of trust, respect, reliability, creating value and integrity. This mission statement also explains our business model: We are focused on the world of lubricants and want to grow worldwide with around 10,000 products. We still have enormous potential here, as well as in the field of technology, where we want to be the clear technological driver. We connect our employees internationally and use regular network meetings to bring them together with other experts in their field from around the world in order to promote the transfer of knowledge. This is one of our major strengths. On the basis of our mission statement, we in the Group Management Committee defined the brand house in 2015 with FUCHS as the single umbrella brand for the whole world. It is founded on the positioning as "my lubricants company" for all stakeholders and the clear promise to our customers that we stand for technology that pays back. Our vision is "being first choice". Another important element of the change process are the leadership principles, which we are now rolling out worldwide.

What is it?

On the basis of our values, we have established six global leadership principles relating to information sharing and knowledge management, for example. We thus clearly define the leadership style with which our teams should be led worldwide, how we ensure open communication free of hierarchies and how we cooperate successfully across international borders. We know that we need to tread carefully on this issue when it comes to our employees and that individual countries have different conditions. This process will therefore take several years. In general, we have determined that we are stretched to our limits with regard to communication in 60 companies and with more than 1,000 new employees. We will therefore do a lot more in the future to convey to our employees what FUCHS stands for. The global intranet and a planned chat tool are steps in this direction.

In a world that is turning ever faster, the issue of digitalization is also playing an ever greater role. How is FUCHS responding?

Digitalization is affecting us in many areas, be it logistics, production, sales or the monitoring of our products with the customer. We have therefore established a think tank for this issue, a company that deliberately considers new approaches and advances digitalization projects.

What else is involved in the change process you mentioned?

Because we believe the customer is king, we are working on every level to ensure that our customers are satisfied. We are therefore also working on a better balance between the triangle of sales, research and product management. Specifically, our industrial business will be represented by its own Vice President (VP) in the sales area in the future. And in order to bring product management onto an equal footing, we are creating a new VP position here too. While global Product Managers currently report directly to our Chief Technology Officer, the new VP will bundle their interests in the future.

The continuously profitable growth is also an expression of constant change and simultaneously the consistency of FUCHS. By 2018, you will invest €300 million into the growth initiative. What is the motivation for this?

We want to continue consistently expanding our global growth potential. We are deliberately spending money today in order to increase our future income. When choosing our investments, we look to the major growth regions of Germany, the USA and China. But we are also very interested in markets such as Korea, Russia, India, Turkey, Poland, Australia and South Africa. Our market shares here are sometimes markedly different, including between industries, and we are also looking for opportunities to strategically expand our business. We took such an opportunity, relating to the industrial oil business in the USA, in 2016 by acquiring ULTRACHEM INC.

How can FUCHS' success story be continued in the years to come?

The global economic and political situation will remain tense. However, our broad-based business model is good at absorbing uncertainty. For example, the vehicle market accounts for only a quarter of our activities. In addition to our wide range, the family values, which can be seen in the ownership structure, are another stability factor. They guarantee our independence and allow us to set out a long-term and sustainable strategy. Besides our high agility, we also have an absolutely stable foundation. We will therefore remain in a solid position and stick to our chosen path. ■

85 years of FUCHS PETROLUB: Milestones of innovation

1991 – HYDRAULIC OIL WITH NO HEAVY-METAL ADDITIVES

Kinder to the environment, soil and water and enhancing efficiency in production facilities: With its RENOLIN ZAF product range, FUCHS launches the first high-performance, zinc-free hydraulic oil. Instead of wear-protection additives containing heavy metals, phosphorous- and sulfur-based additives are used instead.

2004 – MILESTONES IN MEDICAL TECHNOLOGY

ECOCUT 7520 LE-S and PLANTOCUT 10 SR represent milestones in the development of lubricants for medical technology, making FUCHS the first provider on the market to offer certified and toxicologically nonhazardous machining oils for the manufacture of implants – a benefit that can be seen through the entire process chain.

2012 – NEW ANTI-CORROSION PREVENTION

Thanks to CPX technology, the world's most state-of-the-art full solid protection system, FUCHS sets new standards in corrosion prevention. This revolutionary wax conservation technology extends the period of protection and optimizes the production process.

1975 – PLANTO: BIODEGRADABLE

The PLANTO series demonstrates that eco-friendliness and high performance need not be mutually exclusive. Rapidly biodegradable products containing synthetic esters based on renewable raw materials represent an alternative to conventional lubricants.

2010 – XTL TECHNOLOGY

The new XTL engine oil technology sets new standards in increased efficiency. FUCHS first started developing engine oils for cars, and then for commercial vehicles; in tests, these oils helped to significantly reduce fuel and oil consumption.

2000 – ZINC-FREE ENGINE OIL

With TITAN GT1 0W-20, FUCHS develops a groundbreaking world first: zinc-free engine oil with ultra-low viscosity. This innovative technology becomes the unique selling point of an entire product range aimed at reducing fuel and oil consumption and whose lack of heavy metals helps to protect the environment and catalytic converters.

1999 – SKIN-FRIENDLY PRODUCT

A water-miscible cooling lubricant that is kind to the skin yet still offers maximum corrosion protection: the ECOCOOL SCIP series brings to the market a new generation of cooling lubricants with an almost neutral pH value. This innovative product from FUCHS improves workplace conditions and also exhibits outstanding cutting and lubrication properties. ECOCOOL SCIP sets new standards in skin compatibility, extends tool life and exhibits superior surface quality. Up to casting materials, this new cooling lubricant can be used on a wide variety of metal alloys – from difficult-to-cut, high-alloy ferrous materials to specialized aerospace materials. ECOCOOL SCIP is the basis of the ECOCOOL ALUSTAR series, which remains highly popular to this day.

FUCHS: HELPING YOU IN DAY-TO-DAY LIFE

FUCHS offers tailored products in six different categories for hundreds of applications – including some really unusual ones, too. And did you know that FUCHS lubricants are used in saucepans, washing machines, home trainers, and plastic bottles? Below is an overview of some of our fascinating and unusual applications, which also have international growth potential.

By Silke Wernet

AUTOMOTIVE

- Boats and ships
- Buses
- Chainsaws
- Dual-clutch transmissions
- Lawnmowers
- Milking machines
- Scooters
- Shock absorbers
- Trains

INDUSTRIAL

- Air-conditioning systems
- Automatic door closers
- Conveyor belts
- Elevators
- Escalators
- Excavators
- Fork-lift trucks
- Refrigerators
- Sluices
- Supermarket refrig-erated display cases
- Turbines

LUBRICATING GREASES

- Baby strollers
- Bicycles, e-bikes, pedelecs
- Bridges (bridge bearings)
- Dryers
- Home trainers
- Roller blind drives
- Seat adjusters
- Skateboards
- Washing machines
- Windshield wipers

METAL PROCESSING

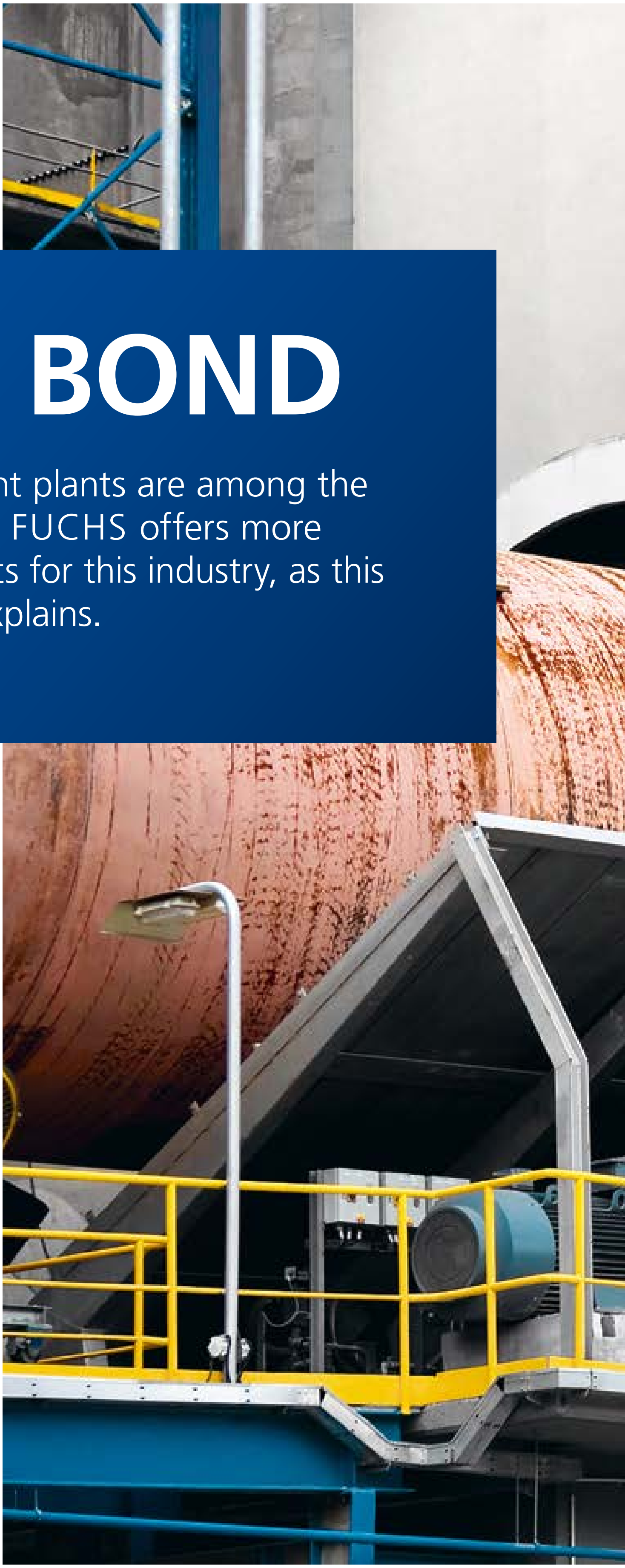
- Bodywork
- Cable cars
- Cutlery
- Exhaust systems
- Implants (e.g. artificial hip joints)
- Saucepans
- Screws
- Water/wastewater pipes

SPECIAL APPLICATIONS

- Car headrests
- Car seat belt closing mechanism
- Car sunroofs
- Garage door guide rails
- Hinged awning brackets
- Ice cream cone baking ovens
- Manufacture movement
- Oxygen cylinders for divers
- Plastic bottles
- Sausage slicers
- Springs for cable mechanisms in vacuum cleaners

SERVICES

- Analytical services
- Chemical Process Management (CPM)
- Coating services
- Tailor-made development
- Condition monitoring
- Special services for food and beverage processing (LCCP)
- Open gear services
- Technical services



A STRONG BOND

Heat, vibrations, huge loads – cement plants are among the most demanding users of lubricants. FUCHS offers more than just a range of specialty products for this industry, as this story of an exemplary partnership explains.

By Ulrich Pontes

"When people who don't work in this industry walk in, their jaw always hits the floor." Martin Tebeck knows that he works in a very special and unusual environment, in a plant containing mills weighing hundreds of tons, a rotary kiln almost the length of a soccer field and other gigantic installations. Even people who are used to being surrounded by technology and machinery cannot help but stand in awe at what they see. "This is not all fun and games," says Tebeck with a smile. "We have all the fun stuff: loads and machinery of massive proportions – plus it is always hot in here."

Tebeck heads a team focusing on preventive and condition-based maintenance at the Beckum-Kollenbach cement plant, which belongs to the Holcim Deutschland Group – one of Germany's leading manufacturers of building materials. In other words, it is his job to ensure that the machinery and installations in the plant operate without interruption and that any downtime – except during the annual plant overhaul – is avoided. Lubrication plays a key role here. "It might make up just 5% of our maintenance work, but it is one of the most important tasks of all for ensuring the availability of our machines."

The lubrication process is not only crucial, but also complex – and an important cost factor. Hundreds of places in a cement plant need oils, greases or specialty lubricants that, depending on where they are applied, need to withstand huge loads,

» I can call the FUCHS LUBRITECH service engineer whenever I need his support. He gets here in an instant, which is immensely important to us as a round-the-clock plant. «

MARTIN TEBECK | HOLCIM-OWNED BECKUM-KOLLENBACH CEMENT PLANT

Holcim Deutschland Group

The Holcim Deutschland Group is one of the leading building materials manufacturers in Germany and the Netherlands. In addition to its three core areas of aggregates, binders and concrete, it also offers complete building materials solutions, logistics services and complementary services. Around 1,800 employees work at more than 130 sites in Germany and the Netherlands – including the Beckum-Kollenbach cement plant, which joined the Group in 2015. As a wholly owned subsidiary of the Switzerland-based LafargeHolcim Ltd, Holcim Deutschland also benefits from the network and experience of this global market leader.

vibrations, dust and heat – sometimes all at the same time. Of course, this means that many different types are required. The Beckum-Kollenbach cement plant, for example, used to apply 60 different lubricants from 20 suppliers – but then the company invited tenders for a standardized, overall lubricant concept. The final contract was awarded to FUCHS LUBRITECH.

That was in 2000. Since then, the FUCHS subsidiary has provided the cement plant with comprehensive support. All the lubricants used in the plant are FUCHS products, and FUCHS also provides a range of consulting and other services. Furthermore tribology training sessions are organized for the plant employees. "As a result, we have reduced the number of lubricants in use to just 25," says Klaus Holz. The head of Technical Services at FUCHS LUBRITECH was in charge of formulating the original lubricant and service concept back in 2000. This reduction in the number of different lubricants meant that higher-quality lubricants were used than before, but at the same time longer change intervals and lower consumption were achieved – in short, the company benefited from major savings. "If you include labor input and disposal, this standardized concept helped the plant to cut its lubricant-related costs by more than 30%."

But if you ask why this partnership continues to this day, the cost factor is just one – albeit fundamental – reason. "Of course, we have to constantly keep a close eye on the market and compare prices," says Martin Tebeck. But, as he says, the quality – in terms of both products and service – is right. "Whenever I call FUCHS LUBRITECH with whatever question or query I may have, I always receive highly professional support." The most important aspect, however, is the service – particularly for open gears. These huge, exposed gear designs are responsible for driving the rotary furnace and cement mills. "This is one of the most complicated tasks," explains Günter Huschitt, Team Leader Application Engineering. "If the lubricant fails to do its job here, it can result in serious damage."

To ensure that everything functions smoothly, a qualified service engineer regularly visits the cement plant. Measurements are performed on the machines, their condition is documented, and minor instances of damage are repaired. The service engineer is also available at any time as permanent contact person. And there was another situation when Martin Tebeck was especially pleased to have the service engineer's support: when a special grease was used to run in new gears in the cement mill drives. "That's a really nerve-racking task. You only get to do that two or three times in your career."

FUCHS LUBRITECH, in turn, benefits in more ways than simply enjoying the sales from its long-term customer: When it developed a new adhesive lubricant for open gears, the Beckum-Kollenbach cement plant was the pilot customer. "Of course, new lubricants undergo rigorous testing in our laboratory, but things are always a bit different in practice," says Klaus Holz. Thanks to this long-standing, trusting relationship and partnership, an initial application test was conducted in Beckum. "This played a major role in the success of CEPLATTYN GT 10," says Holz. "With this product, we are currently an innovation leader on the global market." ■

Savings in the Holcim-run Beckum-Kollenbach cement plant thanks to the comprehensive lubricant and service concept from FUCHS LUBRITECH

1/20

The plant used to have 20 different lubricant suppliers. Now it has just one: FUCHS.

60 → 25

The plant used to apply 60 different types of lubricant. This number has been reduced to 25.

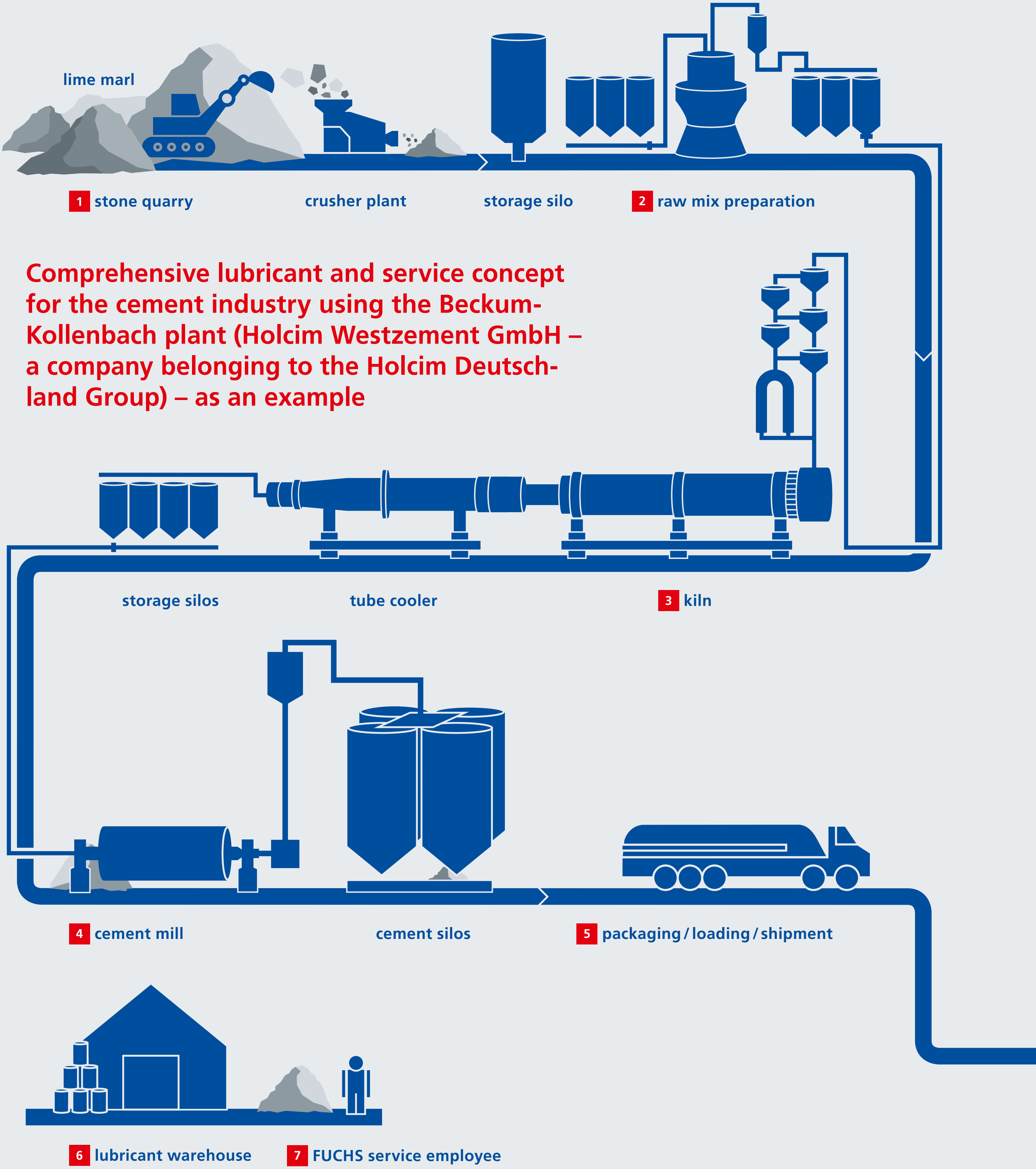
800 → 600

The concept also involved combining lubrication points, thus reducing the number of these by around a quarter.

–30 %

Standardization measures led to a more than 30 % reduction in lubricant-related expenditures (materials, labor input and disposal).

Comprehensive lubricant and service concept for the cement industry using the Beckum-Kollenbach plant (Holcim Westzement GmbH – a company belonging to the Holcim Deutschland Group) – as an example



1 Mobile machinery such as excavators, conveyor belts and crusher plants require a wide range of different lubricants such as engine, gear and hydraulic oils. Challenges: dust, weather conditions (heat, cold, rain, snow).

2 The mills, mixers, separators, silos, conveyor belts and screens in the raw mix preparation plant require gear and hydraulic oils, roller bearing greases and adhesive lubricants. Equipment and lubricants must be able to withstand high levels of stress, dust and vibrations.

Martin Tebeck: “From the raw mix preparation stage onward, we operate around the clock – all the subsequent steps are immensely important for us. Whenever possible, we try to operate throughout the year without any interruptions – except when it is time for the annual overhaul.”

3 The outside of the 80-meter-long rotary furnace, which has a diameter of 5.2 meters, can reach temperatures as high as 350°C. It is driven by an externally positioned, open gear, which is lubricated with a specialty adhesive lubricant.

Martin Tebeck: “While downtime with any other facility would be merely annoying, with the kiln it would be a disaster.”

4 The cement mills include the biggest open gears in the Beckum-Kollenbach plant: Gears with a diameter of 6.5 meters and a width of 50 centimeters turn a load weighing 600 tons 14.6 times per minute. To cope with these huge loads as well as all the associated vibrations and dust, a high-performance adhesive lubricant is necessary.

In 2012, the FUCHS LUBRITECH-developed adhesive lubricant CEPLATTYN GT 10 was put to the test for the first time under real-life conditions on the open gear of one of the two cement mills. Klaus Holz: “This joint test played a crucial role in the huge success of the product. This was made possible thanks to the excellent, long-standing, trusting partnership that we enjoy with Mr. Tebeck.”

5 The packaging/loading/shipping stations require a whole range of lubricants such as gear oils, hydraulic oils and roller bearing greases.

6 The lubricant warehouse on the plant premises in Beckum-Kollenbach is a “consignment stock”: The lubricants there belong to FUCHS LUBRITECH. Once they are removed from stock and this process has been recorded in the inventory management system, they become the property of the cement plant and are invoiced.

7 At least four times a year, the Beckum-Kollenbach cement plant receives a visit from a FUCHS LUBRITECH service engineer specializing in machinery used in the cement industry. He checks and documents the condition of the machines, adjusts the lubrication if necessary and carries out minor repairs on open gears. This service is accompanied by a state-of-the-art online reporting system that the customer can use to access measurement trends, photos and infrared videos at any time via an app.

2016 IN MOTION

IMPROVED TESTS FOR GERMS

FUCHS Spain's microbiology lab tests for the entire Fuchs' Group the microbiological contamination of water-oil emulsions used in metalworking applications. For even better testing procedures, the researchers in Spain now use a special freezer that cools to minus 80 degrees Celsius. This guarantees the long-term preservation of the independently adapted bacterial strains – a very import aspect for testing.

ACQUISITION OF ULTRACHEM INC.

FUCHS acquires the industrial oil specialist ULTRACHEM INC. and thus expands its portfolio in the USA in this sector. The company, based in Delaware, generated sales revenues of € 15 million in the financial year 2015/16.

TEST FACILITY IN A NEW DIMENSION

Opening of the new test facility at the Mannheim HQ. The new building on the former site of Plant 1 has around 1,200 square meters of floor space, offering room for 15 new test rigs and expanding the "old" building with 35 test rigs. FUCHS is thus increasing its capacity for tests performed under real-world conditions, which are a key component of the lubricant development process. The new test facility will test automotive transmission fluids as well as shock-absorber and hydraulic oils, among others.

FUCHS – AN AGILE COMPANY

FUCHS in motion: After milestones such as defining the mission statement "LUBRICANTS. TECHNOLOGY. PEOPLE.", bringing employees together at international network meetings and developing the brand house with FUCHS as the umbrella brand, the leadership principles were formulated and rolled out in the Group's worldwide change process in 2016.

ACQUISITION OF CHEVRON DIVISION

FUCHS acquires Chevron's global business with white oils and lubricants for the food industry, which is integrated into FUCHS LUBRICANTS CO. (USA). With the acquisition and new distribution partnerships, FUCHS wants to expand the scope of support for customers in the food industry.

SUSTAINABILITY LEADER

FUCHS competes successfully against 800 companies to win the German Sustainability Award 2016 in the category 'Germany's Most Sustainable Medium-Sized Company' – on its first application. "Numerous measures with quantifiable successes prove that also a lubricants manufacturer can incorporate sustainability along the value chain as well as in its own business model and is able to continuously improve its sustainability level," explains the jury. The most important German award in this area honors outstanding sustainability achievements in business, local communities and research.

LESS DUST IN MINING

At the request of the Mining division, the FUCHS Key Working Group Mining R&D tests and develops effective products for dust suppression in mining. In the future, RENOCLEAN AIR SPRAY-DOWN, HOLD-DOWN and LOCK-DOWN are to ensure the better protection of health and the environment from excessive dust contamination in all stages of the mining process above and below ground.

全球

Tuesday, 7:30 am
On the way to work

通勤者

GLOBETROTTER

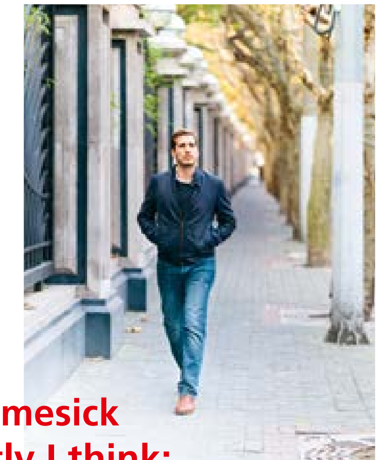
More than 100,000 customers worldwide and 55 companies in over 45 countries around the globe. FUCHS is where its customers are and supports them in the most important growth countries in the world. This is also Daniel Henn's job: He has been responsible for FUCHS LUBRITECH's local production facility in Shanghai for three years – and it sometimes feels like a balancing act between his old and his new home.

By Cornelia Theisen

When Daniel Henn received the offer to go to China and manage the local production facility there for FUCHS, he hadn't even finished his bachelor thesis. That was in December 2013. The 29-year-old remembers it as if it were yesterday. The manager at FUCHS LUBRITECH had given him a few weeks to think it over. But he only had to sleep on it for one night.

"I thought: I'm young and unattached – if not now, when? I had no idea what I was in for."

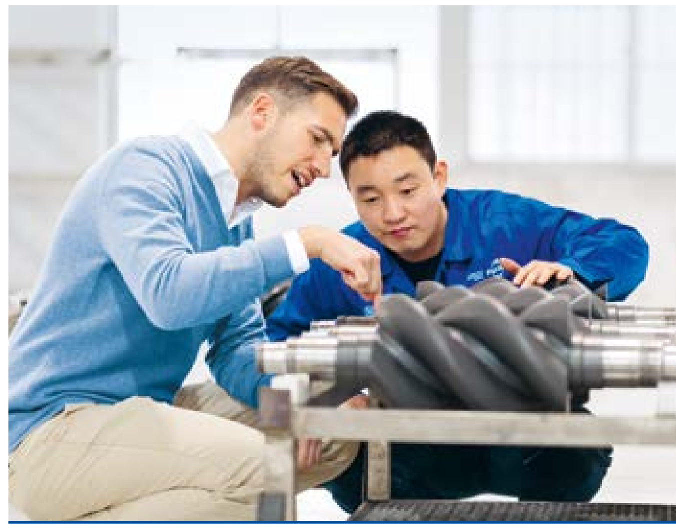
Three years have passed since then. Henn now lives and works in Shanghai, where he is responsible for FUCHS LUBRITECH's local production facility. The third-largest city in the world is 8,916 kilometers from his hometown of Kaiserslautern. There are of course cultural differences. In the early days, he recalls, everything seemed amazing. He took photos non-stop. There was a lot



» Of course I do get homesick sometimes. But mostly I think: Wow, you have this job and live in this city – that's great! «

DANIEL HENN | SENIOR MANAGER PRODUCTION AND PROCESS, FUCHS LUBRICANTS (CHINA)

Wednesday, 2:30 pm
Quality meeting at the plant



Thursday, 12:15 pm
Off to lunch

Friday, 10:00 am
Weekly meeting of the Operations Team

to get used to. Especially the traffic. It is chaotic – the streets full of bikes, electric scooters and cars. But the worst thing was not being able to read anything at all.

“In Europe, it almost doesn’t matter where you are. Even if you don’t understand the language, you can type individual words into your phone and translate them. With the characters here – not a chance!”

This has since changed. He can now speak the language well enough for routine and basic communication. And his reading is also getting better now. It has to, because Daniel Henn has a lot of work to do in the Asian growth country. China is one of the most important markets for FUCHS, Shanghai one of the FUCHS Group’s largest production locations. The LUBRITECH production facility currently covers forming lubricants for the forging industry, open gear lubricants and solid film lubricants for dry lubrication. The latter are applied to customers’ components in the coating center. The direct contact with these customers is just one of his many tasks. The majority revolve around optimizing processes and increasing efficiency – in production itself, but also in the sourcing and purchasing of raw materials, for example. In addition, he is responsible for the equipment and utilization of the new factory building in China. And he is helping with the overhaul of the concept for FUCHS Japan and the associated factory renovation in Iga Ueno.

“I have grown into my tasks here. I came fresh from the Mannheim University of Applied Sciences and FUCHS offered me a managerial role – a once-in-a-lifetime career opportunity and a great show of confidence.”

When Daniel Henn came to the Asian megametropolis, FUCHS had already played an important role in his life for over ten years. First the apprenticeship as a chemical technician at LUBRITECH in his hometown of Kaiserslautern, then two years in process support at the same site, while completing his vocational baccalaureate diploma part-time. When he finally decided he wanted to study at university, his superiors supported him.

So he enrolled for process engineering at Mannheim in 2010 – and returned in the semester breaks as a student employee. He spent his practical semester in London, at FUCHS of course. And he also wrote his bachelor thesis with the company.

“FUCHS LUBRITECH has supported me ever since my apprenticeship. The feeling of security this has given me the entire time is something special.”

Just one day after handing it in, in early 2014, Henn was finally sitting on a plane, together with the Managing Director of FUCHS LUBRITECH on the way to a look-and-see trip. FUCHS offers this to all “expats,” i.e. specialist personnel who are to work for a number of years at a location abroad. The final decision does not have to be made until afterwards. Five days to get to know the working environment, future colleagues and the home-to-be. Then you know if you have a good feeling – or why you do not, says Henn.

“I had never been to Asia before, let alone China. But by nature I am curious about other cultures and professional challenges.”

What followed was a total of three training sessions. Two in the LUBRITECH plants in Eching and Chicago, where he could familiarize himself with the processes that would await him. Intercultural training taught him a bit about Chinese customs before he arrived. This was good preparation for coping with his new everyday life. In some respects, he barely had to adjust at all. The choice of cuisines is huge, for example: Asian, French, Russian and of course German restaurants alongside traditional street kitchens and fast food outlets. Just like in every large international city. And he still eats muesli for breakfast, Henn says. Preferably one that he brings over from Germany. The leisure activities, however, that he previously engaged in, were difficult to carry over one-to-one to his new life. While Henn had always played soccer in Germany, now he prefers to jog. Since he has lived in China, he no longer meets his parents at dinner but on screen: Contact with home is mostly online – by WeChat, a Chinese social network.

Henn now lives in the French Concession. The neighborhood looks almost like a small French town: Avenues with lots of trees and old Art Deco villas. This, he says, helped him feel at home here. His friends also do him good. After three years in Shanghai, his circle of friends is just as varied as the city. Germans, Americans, Australians and even some Chinese, but most of the latter have worked or studied abroad.

"Internationality connects us. People who have been through similar changes simply have a better understanding for each other."

The colleagues with whom he spends his lunch break are often also expats like him, or have pursued international career paths. Like all department heads of the Operations Team at the site, he belongs to the team led by Cathy Wu, COO of FUCHS LUBRICANTS (China). He is the only German there; another colleague comes from England. Although communication at FUCHS China is almost always in English, learning Chinese was important to Daniel Henn from the start.

"I would have got by without Chinese. But I want to take as much as I can away from my time here. By learning the language, I bridge the cultural gap somewhat."

The 29-year-old describes China as a country that is changing incredibly quickly. For example, infrastructure projects are completed at a pace that transport users in Germany can only dream of. But for this very reason, lots of Chinese people expect problems to be solved quickly.

"Satisfying Chinese interests while working according to a German company's expectations often requires a diplomatic middle course."

Overall, he describes the nearly three years that he has now lived in Shanghai as a major enrichment – professionally and privately. Whenever he receives visitors from Germany, two to three times a year, he takes the opportunity to travel with them. In this way, he has already seen a lot of China and nearly all of South-East Asia. Thailand, Vietnam, Japan, the Philippines and Cambodia. Myanmar is coming up in 2017. When traveling, like in his career, Henn says, he has learned to think outside the box, to leave the German or European view of the world behind sometimes and to combine the best parts of everything. In this way, he tries to comprehend decisions that he may not have understood at first.

"Sure, I have German roots, and that has shaped my character. But living abroad has also made me open to the perspectives and approaches of other mentalities."

Daniel Henn does not yet know when, how or whether he will return to Germany. The contract at FUCHS China initially lasted two years; now it has been extended indefinitely. Of course, he says, he is often asked when he is coming back. He is happy in Shanghai for the moment, but he wants to move on at some point. Whether he will then go to Germany or somewhere else remains to be seen.

"I don't want to rule out returning to Germany someday. I am open to it – but also to other countries. It depends where there is a job for me at FUCHS in the future."

From spring 2017, Henn will do an MBA, a Master of Business Administration, for the first time in a part-time program of the Mannheim Business School together with Tongji University in Shanghai. Then he will at least be back in Germany more often. At the moment, he is only there around twice a year. In order to minimize costs, he usually combines professional appointments with a few days in his hometown of Kaiserslautern. He was recently back again for the Christmas holidays. This was convenient, because he was nearly out of muesli. ■

Saturday, 9:30 am
Relax and recharge

Sunday, 9:00 pm
Dinner at a cookshop around the corner

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

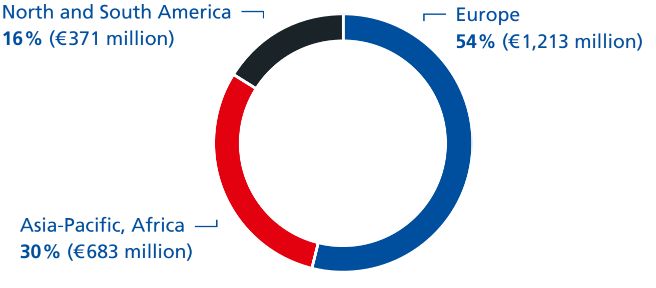
Employees: Around 5,000, of which more than 400 in research and development (R&D)

Locations: 57 operating companies and 34 production plants in over 45 countries

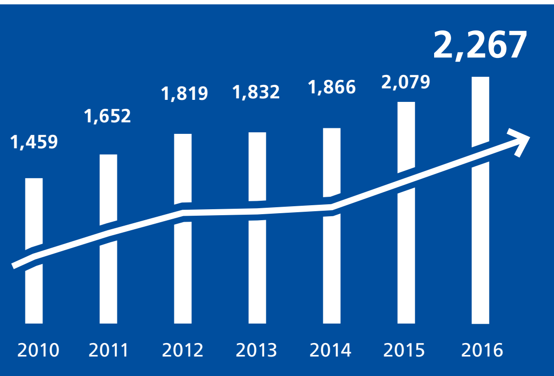
Products: A full range of more than 10,000 lubricants and related specialties for hundreds of applications in the key automotive, industrial, metalworking, special applications, lubricating greases and services categories.

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

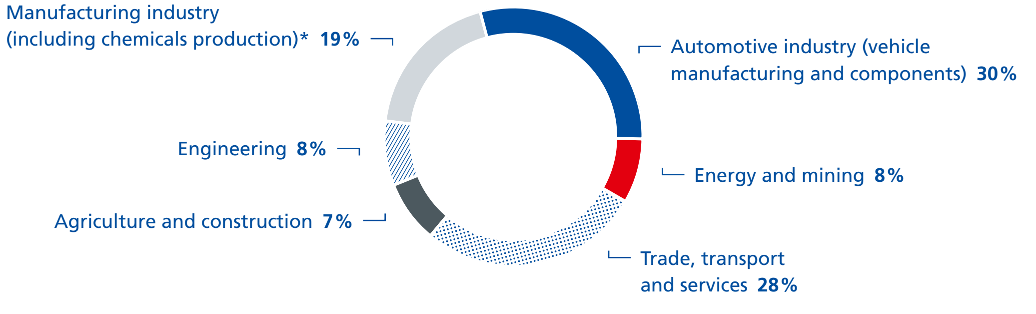
Sales revenues by customer location in 2016



Group sales revenues up €188 million in 2016



Breakdown of group sales revenues by customer sector 2016



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

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15
10
250
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»For us, it is clear that you can only be a global leader by being dynamic. We are always in motion.«

STEFAN FUCHS | CHAIRMAN OF THE EXECUTIVE BOARD

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Management & Shares

Combined Management Report

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Financial Report

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1

Management & Shares

1.1 Letter to our shareholders

Stefan Fuchs,
Chairman of the Executive Board

Dear shareholders,

2016 was another record year for FUCHS PETROLUB: The company generated sales revenues of €2.3 billion and increased its earnings for the eighth time in a row. The two major acquisitions of 2015 (PENTOSIN and STATOIL FUEL & RETAIL LUBRICANTS) have been integrated successfully in the Group and are making a significant contribution to earnings. The strong profitability and the solid balance sheet have motivated the Executive Board and Supervisory Board to propose the 15th dividend increase in a row. This underlines our confidence in achieving further profitable growth.

The 9% increase in sales revenues in 2016 was driven by acquisitions and can be attributed to a strong growth, particularly in Europe and China. The stronger euro resulted in compensatory currency translation effects. In line with sales revenues, earnings before interest and taxes (EBIT) increased by 8% and set a new record at €371 million.

Our investment initiative is making good progress: The new grease plant in Chicago has been completed and production is commenced just now. The expanded test facility in Mannheim has been commissioned. A number of expansion and modernization projects have been launched in Europe, Asia and North America. The specialty business in the USA was also further strengthened with the acquisition of ULTRACHEM and Chevron's food grade lubricants business.

The mission statement "LUBRICANTS. TECHNOLOGY. PEOPLE." and the five central values – trust, creating value, respect, reliability and integrity – marked the start of a change process five years ago. A number of global networks and the "Being first choice" vision are signposting the way and driving the process forward. In 2016, we defined six leadership principles. Their implementation is now being discussed worldwide. The goal is to become a globally networked and agile company based on a set of uniform values. We have come a good step closer to achieving this goal.

Agility is a crucial requirement for taking advantage of the opportunities presented by topics like digitalization and e-mobility, which will lead to structural changes. Purely electric vehicles will require fewer lubricating oils, but larger quantities of grease. The new grease factory in Chicago is also geared toward this development. Digitalization is affecting us in many areas, be it logistics, production, sales or the monitoring of our products at our customers. We have therefore established an independent company, which will serve as a think tank to deliberately consider new approaches and advance digitalization projects.

We are planning further increases in sales revenues and earnings in 2017. In view of the economic and political uncertainties in many key markets this is a challenge, which we will meet. In 2017 – the second year of our three-year €300 million investment initiative – we are again planning investments that are significantly higher than depreciation. We are also aiming to continue playing an active part in market consolidation – if opportunities arise.

At the end of this year's Annual General Meeting, my father, Dr. Manfred Fuchs, will step down from the Supervisory Board after more than five decades of successful work at FUCHS PETROLUB. This marks the end of an exceptionally impressive career, topped by an orderly and disciplined handover process for the position of Chairman of the Executive Board 13 years ago. For this, my father deserves my utmost respect and immense gratitude.

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 once more exceptional performance in 2016.

Mannheim, March 21, 2017

Yours

Stefan Fuchs

Chairman of the Executive Board

1.2 Organization

Corporate Boards → 121 Executive Bodies

Supervisory Board

Dr. Jürgen Hambrecht
Chairman
First appointment: 2011
Expiration of the mandate: 2020

Dr. Dr. h.c. Manfred Fuchs
Deputy Chairman
First appointment: 2004
Resignation of the mandate: May 2017

Horst Münkel
Employee representative
First appointment: 2009
Expiration of the mandate: 2020

Ingeborg Neumann
First appointment: 2015
Expiration of the mandate: 2020

Lars-Eric Reinert
Employee representative
First appointment: 2008
Expiration of the mandate: 2020

Dr. Erhard Schipporeit
First appointment: 2008
Expiration of the mandate: 2020

Committees of the Supervisory Board

Personnel Committee
Dr. Jürgen Hambrecht (Chairman)
Dr. Dr. h.c. Manfred Fuchs
Ingeborg Neumann

Audit Committee
Dr. Erhard Schipporeit (Chairman)
Dr. Dr. h.c. Manfred Fuchs
Ingeborg Neumann

Nomination Committee
Dr. Jürgen Hambrecht (Chairman)
Dr. Dr. h.c. Manfred Fuchs
Ingeborg Neumann
Dr. Erhard Schipporeit

The Executive Board

Stefan Fuchs
Chairman
Region North and South America,
Corporate Development, Human Resources,
Public Relations,
First appointment: 1999
Chairman since 2004
20 years at FUCHS

Dr. Lutz Lindemann
Research & Development, Technology,
Supply Chain Management, Sustainability,
Mining Division,
OEM Division
First appointment: 2009
18 years at FUCHS

Dr. Timo Reister
Region Asia-Pacific, Africa
First appointment: 2016
7 years at FUCHS

Dr. Ralph Rheinboldt
Region Europe,
LUBRITECH Division,
SAP/ERP Systems
First appointment: 2009
18 years at FUCHS

Dagmar Steinert
Finance, Controlling, Investor Relations,
Compliance, Internal Audit, IT, Legal, Taxes
First appointment: 2016
4 years at FUCHS

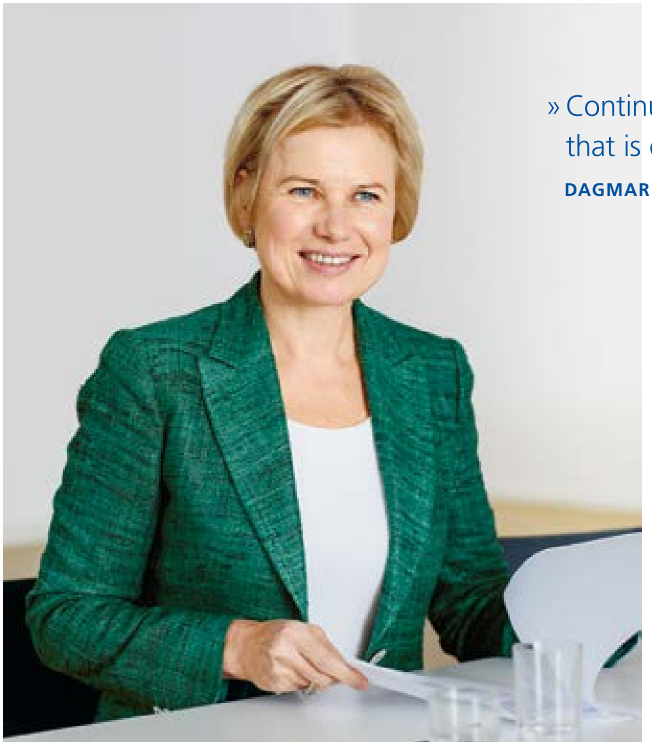
The Executive Board

» FUCHS has been successfully confronting changing times for 85 years. «

STEFAN FUCHS, CHAIRMAN

» Continuous change is an opportunity that we meet in a flexible and agile way. «

DR. TIMO REISTER



» Continuity in quality and performance – that is our kind of motion. «

DAGMAR STEINERT

» The agility of FUCHS allows us to implement organic growth and integrate acquisitions successfully. «

DR. RALPH RHEINBOLDT

» Motion is the basis for our business and our organization's identity. «

DR. LUTZ LINDEMANN

Group Management Committee

Dr. Ralph Rheinboldt

Carsten Meyer

Alf Untersteller

Stefan Fuchs

Reiner Schmidt

Dr. Ralph Rheinboldt	▪ Region Europe
Carsten Meyer	▪ OEM Division
Alf Untersteller	▪ Middle East & Africa, Mining Division
Stefan Fuchs	▪ CEO, Region North and South America
Reiner Schmidt	▪ Finance

Klaus Hartig

Dr. Timo Reister

Bernhard Biehl

Dagmar Steinert

Dr. Lutz Lindemann

Stefan Knapp

Dr. Timo Reister	▪ Region Asia-Pacific, Africa
Klaus Hartig	▪ East Asia
Dagmar Steinert	▪ CFO
Bernhard Biehl	▪ LUBRITECH Division
Stefan Knapp	▪ Germany
Dr. Lutz Lindemann	▪ CTO

1.3 Report of the Supervisory Board

Dr. Jürgen Hambrecht,
Chairman of the Supervisory Board

Dear shareholders,

FUCHS PETROLUB was very successful in the financial year 2016 despite a challenging economic and political environment. Both sales revenues and earnings reached new records. The growth strategy was actively pursued. This was assisted by external growth, especially due to the acquisitions PENTOSIN and STATOIL, but also by the business with Chevron's food grade lubricants and ULTRACHEM's specialty business. 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, and the rules of procedure.

The Supervisory Board and Executive Board continued their full and effective cooperation in the financial year 2016. 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 2016 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 a sufficient number of independent members. No conflicts of interest occurred among members of either the Executive Board or the Supervisory Board.

There were no personnel changes on the Supervisory Board in the financial year 2016. Dr. Dr. h.c. Manfred Fuchs informed the Nomination Committee that he will resign from his post on the Supervisory Board as of the end of the 2017 Annual General Meeting. Following the Nomination Committee's recommendation, the Supervisory Board's nomination for his successor is Dr. Susanne Fuchs, who will stand for election at the 2017 Annual General Meeting.

Reports and board meetings

Five Supervisory Board meetings were held in 2016. The Supervisory Board was regularly, promptly, and comprehensively informed, both in writing and orally, about the company's corporate policy, business developments, profitability, liquidity and risk situation, as well as 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, the further development of the Corporate Governance Code and the integration of the two acquisitions of the previous year. 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 21, 2016, the annual and consolidated financial statements and the combined management report of FUCHS PETROLUB SE, the Executive Board's proposal on the appropriation of profits, and the dependent company report were finally 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. In addition, the Supervisory Board looked at information on the global OEM business with original equipment manufacturers in the automotive industry.

In the meeting held immediately before the Annual General Meeting on May 4, 2016, the Executive Board reported on the business performance of the Group after the end of the first quarter, investment and acquisition projects, and changes in capital market law with the entry into force of the Market Abuse Regulation in July 2016.

In the meeting held on July 19, 2016, the Supervisory Board examined the 2016 half-year financial statements together with the accompanying interim management report and also received information on the global research and development strategy. This was followed by a presentation from an external speaker on the topic of "Industry 4.0 in the Chemical Industry – Position and Prospects" with subsequent discussion on the potential implications for the strategy of FUCHS PETROLUB SE.

The Supervisory Board meeting held on October 17, 2016 examined the Executive Board report on economic development in the Group. The process used for technical and financial evaluation of capital expenditures was also discussed. The meeting focused on the detailed reporting and discussion of the development of the North America region and the role of the Group HR department in the areas of recruitment, the promotion of young talents and leadership principles.

The focal topic of the meeting held on December 13, 2016 was the 2017 budget for earnings, assets, cash flow, investments and the continuation of the growth initiative including acquisitions. Beside this, the Supervisory Board also examined the risk management and compliance report, the results of the 2016 audit reviews, the 2017 audit plan and the 2016 Declaration of Compliance. The Supervisory Board also received information on the Turkey, Middle East, Central Asia and Africa region. In addition, the performance factor for calculating the variable compensation of the members of the Executive Board for the financial year 2016 was defined based on the target achievement determined by the Personnel Committee.

Work of the committees in the Supervisory Board

The Supervisory Board has formed three committees: The Audit Committee, the Personnel Committee and the Nomination Committee. Information on the activities of the committees was provided at the beginning of each Supervisory Board meeting.

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. There was intensive discussion of the changes brought about by the Audit Reform Act (Abschlussprüfungsreformgesetz). Before their publication, the Group's quarterly statements and the half-year financial report were always discussed in detail. In addition to this, 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 current compliance issues. The Audit Committee also provided the Supervisory Board with a recommendation for the Supervisory Board's proposal to the Annual General Meeting regarding the selection of the auditor.

The **Personnel Committee** supports the Supervisory Board in reaching personnel decisions. There were two meetings in the reporting year. In the meeting on March 20, 2016, the Personnel Committee dealt in particular with the individual Executive and Supervisory Board compensation for 2015. In the meeting on December 12, 2016, the Personnel Committee examined the work of the Executive Board in its new composition, determined the performance factor for the variable compensation of the Executive Board members for 2016, specified and amended the wording of the targets for the definition of the 2017 performance factor and reviewed the variable compensation components for the Executive Board, adjusting them in two cases. In addition, the targets for the percentage of women on the Executive and Supervisory Boards were defined again ahead of time.

The **Nomination Committee** met once in the reporting year. In its meeting on December 12, 2016, the Nomination Committee looked at the alternate candidates for the members of the Supervisory Board and dealt with the succession for Dr. Dr. h.c. Manfred Fuchs, who is to depart at the end of the 2017 Annual General Meeting.

Overview of members' attendance at each meeting in the financial year 2016

Responsibility	Member	Number of attendances/ Number of meetings
Supervisory Board	Dr. Jürgen Hambrecht (Chairman)	6/6
	Dr. Dr. h.c. Manfred Fuchs (Deputy Chairman)	5/6
	Horst Münkel	6/6
	Ingeborg Neumann (financial expert)	6/6
	Lars-Eric Reinert	6/6
	Dr. Erhard Schipporeit (financial expert)	6/6
Personnel Committee	Dr. Jürgen Hambrecht (Chairman)	2/2
	Dr. Dr. h.c. Manfred Fuchs	2/2
	Ingeborg Neumann	2/2
Audit Committee	Dr. Erhard Schipporeit (Chairman, financial expert)	4/4
	Dr. Dr. h.c. Manfred Fuchs	4/4
	Ingeborg Neumann (financial expert)	4/4
Nomination Committee	Dr. Jürgen Hambrecht (Chairman)	1/1
	Dr. Dr. h.c. Manfred Fuchs	1/1
	Ingeborg Neumann	1/1
	Dr. Erhard Schipporeit	1/1

Audit of annual and consolidated financial statements

As per the resolution of the Annual General Meeting of May 4, 2016, the Supervisory Board's Audit Committee commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the 2016 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 2016, prepared pursuant to the German Commercial Code (HGB), as well as the consolidated financial statements and the combined management report of FUCHS PETROLUB SE prepared pursuant to the IFRS international accounting standards to be applied in the EU, were audited and granted an unqualified auditor's opinion by KPMG AG Wirtschaftsprüfungsgesellschaft in Mannheim. The focuses of the audit defined for the reporting period by the Audit Committee upon the appointment of the auditors were examined in more detail by KPMG. In particular the company's auditor confirmed that the Executive Board had installed a suitable monitoring system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG), which is appropriate for early identification of any developments which might endanger the continued existence of the company. During the audit, the auditor did not determine any facts that would contradict the Declaration of Compliance or any issues that might give rise to statements of exclusion or reservation in the auditors' report. The Supervisory Board conducted its own thorough examination of the annual and consolidated financial statements, the combined management report and the proposal on 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 as well as in the balance sheet meeting on March 20, 2017. The auditor who took part in both meetings reported on the main results of the audit and was available to answer any questions or provide extra information. The Supervisory Board took note of and approved the results of the audit performed by the independent auditors. There are no objections based on the final results of the audit of the Audit Committee and of our own audit. The Supervisory Board approved the financial statements submitted by the Executive Board and thereby also the annual financial statements of FUCHS PETROLUB SE. We agreed with the proposal regarding the appropriation of profits.

The Executive Board reported on its relationship to associated 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, 2017

The Supervisory Board

Dr. Jürgen Hambrecht
Chairman of the Supervisory Board

1.4 Corporate Governance Report

In the following chapter, the Executive Board reports – also on behalf of the Supervisory Board – on corporate governance at FUCHS PETROLUB SE in line with Section 3.10 of the German Corporate Governance Code. The chapter also contains the Declaration of Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB).

Corporate governance at FUCHS PETROLUB SE is predominantly based on the regulations of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The Corporate Governance 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 company value. We believe that sound and responsible management and supervision geared towards sustainable added value in particular include

- Close and trusting cooperation between Executive Board and Supervisory Board
- Respect for shareholders' interests
- Open corporate communication
- Transparency in accounting
- Responsible handling of opportunities and risks
- Sustainable business activities.

We are convinced that effective and transparent corporate governance is a key factor in the success of FUCHS PETROLUB SE. Corporate governance therefore plays an important part in how we see ourselves and is a standard that covers all departments and divisions within the company. 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 long-term and also continuously further develop corporate governance in the Group.

Throughout the last financial year, the Executive Board and Supervisory Board at FUCHS PETROLUB SE once again examined and addressed the stipulations of the Corporate Governance Code, paying particular attention to the requirements regarding the independence of members of the Supervisory Board and taking into account the concepts of diversity and giving appropriate consideration to women when filling management positions in the company. On this basis, the Executive Board and Supervisory Board together submitted the updated Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 13, 2016 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 Supervisory Board

As an 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 Executive Board and Supervisory Board bodies, each of which has independent responsibilities. This two-tier board system was also retained following the conversion to an SE. Sound corporate governance requires continuous further development of this two-tier board system, with all divisions being included. This begins with independent and responsible corporate management by the Executive Board which is advised and monitored by the Supervisory Board.

Corporate management by the Executive Board

The Executive Board holds responsibility to act as the management body and is bound both to the company's interests and to sustainably increasing company value. The members of the Executive Board together hold responsibility for the entire company management. 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 Board resolutions. Rules of procedure specify in more detail the work of the Executive Board. The distribution of responsibilities to the individual members of the Executive Board is set out in the schedule of responsibilities. For certain business processes – such as specifying annual planning or major acquisitions – the company's Articles of Association and additionally the rules of procedure for the Executive Board require approval to be obtained from the Supervisory Board.

The Executive Board reaches decisions on key issues regarding corporate policy and strategy, as well as annual and multi-year planning. The Executive Board ensures appropriate opportunity and risk management in the company. It works towards compliance with legal regulations, regulatory stipulations and internal company guidelines (compliance). It also pays attention to diversity and ensuring appropriate consideration is given to women when filling management positions at the company. In doing so, FUCHS strives for systematic and targeted promotion of qualified women considering them appropriately when filling Executive Board and management positions.

The Executive Board of FUCHS PETROLUB SE comprises five people, including one woman. The composition of the Executive Board and the allocation of duties within the Executive Board (organization of responsibilities, regions and segments) are shown in detail in the section on organization. → 7 Organization

Monitoring of 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, as well as in all questions 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 Supervisory Board, which is based on mutual trust, forms an important foundation for the company's success.

The Supervisory Board at FUCHS PETROLUB SE is made up of four shareholder members, who are elected by the Annual General Meeting, as well as two members who are elected by the European Works Council (SE Works Council) of FUCHS PETROLUB SE, which represents the European employees of the company.

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 composed in a way that ensures qualified advising and monitoring of the Executive Board by the Supervisory Board. Based on their knowledge, skills and specialist experience, 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 at an international group operating in the lubricants industry and preserving the reputation of the FUCHS Group in the public arena. Relevant qualifications, in compliance with diversity and appropriate involvement of women, are the key factors for the composition of the Supervisory Board. In this context "diversity" is understood to mean diversity in terms of internationality (not in the sense of citizenship, but rather origin, upbringing, training and career), gender and age. Based on Section 5.4.1 of the Code, the Supervisory Board has set the following targets for its composition:

- The required knowledge, skills and specialist experience refer in particular to the management of an international company
- Special economic knowledge and experience is to be considered
- Special knowledge and experience in the application of financial accounting principles and internal control procedures
- Technical expertise, in particular in the field of (special) chemicals is to be considered
- Appropriate involvement of women in the Supervisory Board for new appointments
- An appropriate number of independent members of the Supervisory Board; of the four shareholder representatives on the Supervisory Board, at least two should be independent as per the Corporate Governance Code
- Prevention of significant and not only temporary potential conflicts of interest; in particular, no performance of board functions or consulting duties at significant competitors
- Consideration of the (standard) age limit of 70 years at the time of election
- Consideration of the (standard) membership limit of 15 years

The Supervisory Board complies with the diversity requirements. The Supervisory Board also believes that it includes an appropriate number of independent shareholder representatives.

Dr. Dr. hc. Manfred Fuchs, a former member of the Executive Board at FUCHS PETROLUB SE, has been a member of the Supervisory Board since 2004. He is the only member of the Supervisory Board that holds an appreciable number of shares in the company and that has a personal relationship both to the company and its Executive Board. The members of the Supervisory Board hold or used to hold executive positions at other companies. However, all business between FUCHS Group companies and these companies was conducted under the same conditions as with third parties (arm's length transactions). In our opinion, these transactions do not have any impact on the independence of the affected members of the Supervisory Board.

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

The composition of the Supervisory Board and its committees, the participation in meetings, as well as details on the work undertaken by the Supervisory Board 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 compensation system and the individual compensation of members of the Executive and Supervisory Boards are described in the compensation report.
→ 23 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, in 2015 the Supervisory Board defined targets for the proportion of women on the Executive Board and Supervisory Board. These targets were to be achieved by June 30, 2017, in each case. The target of 17 % for the Supervisory Board was specified taking into account in particular the current proportion of 17 % and the term in office of the current members of the Supervisory Board. The Supervisory Board set a target of one woman for the Executive Board of FUCHS PETROLUB SE. Both targets were achieved. In 2016, the Supervisory Board again defined targets for the Supervisory Board and Executive Board ahead of time. These targets apply until December 12, 2021. The targets remained unchanged at a proportion of 17 % women on the Supervisory Board and one woman on the Executive Board.

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. In 2015, the Executive Board specified targets for the percentage of women at these management levels and the date by which the respective target was to be achieved (June 30, 2017). The target for the percentage of women at the first management level was 10 %, at the second management level 30 %. The target for the second management level was achieved (40 %); the target for the first management level was just missed (8 %). In 2016, the Executive Board again specified targets for the percentage of women at the two management levels below the Executive Board ahead of time. These targets are to be implemented within the next five years (by December 12, 2021). The target for the first management level remains 10 %; the target was set at 30 % for the second management level.

Committees of the Supervisory Board

The Supervisory Board at FUCHS PETROLUB SE has formed three professionally 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 aligned with the requirements of the Corporate Governance Code.

The Personnel Committee and Audit Committee meet several times a year, while the Nomination Committee convenes for meetings only when these are necessary based on its allocation of duties. The respective chairmen of the committees regularly report to the Supervisory Board on the work of the Committees.

Ownership of shares in the company by members of the Executive and Supervisory Boards

As at December 31, 2016, Stefan Fuchs held directly and indirectly 9,660,799 ordinary shares and 11,754 preference shares. The other members of the Executive Board together held 18 ordinary shares and 22,483 preference shares as at December 31, 2016.

As at December 31, 2016, Dr. Dr. h. c. Manfred Fuchs held directly and indirectly 1,843,957 ordinary shares and 486 preference shares. The other members of the Supervisory Board together held 1,358 ordinary shares and 9,836 preference shares as at December 31, 2016.

As per Article 19 of the Market Abuse Regulation, members of the Executive Board and the Supervisory Board of FUCHS PETROLUB SE are legally obliged to declare any acquisition or sale of shares in the company or any other related financial instruments if the value of these transactions conducted by the members or persons related to them reaches or exceeds the sum of €5,000 within one calendar year. The transactions reported to FUCHS PETROLUB SE in the reporting year were duly published and can be viewed on the company’s website at
→ www.fuchs.com/directorsdealings.

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 reach decisions on all tasks assigned to the Annual General Meeting by law, such as appropriation of earnings, amendments to the Articles of Association, election of members of the Supervisory Board, approval of the Executive Board and the Supervisory Board, measures affecting the capital structure and selection of the auditor. Each ordinary share authorizes the holder to 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 profit and entitle them to an additional dividend (preference).

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 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 Regular 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 of 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 as well as the type and form of voting. He is also authorized to limit the shareholders' rights to pose questions and to speak to a reasonable period of time.

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 documentation on corporate governance, such as the Anti-Corruption Directive, the Anti-Trust Directive or the FUCHS Sustainability Guideline, can be called up on the company's website.

Compliance

We understand compliance to mean observing rights, laws and the company's Articles of Association, adhering to internal rules and standards, as well as making voluntary personal commitments. The main guideline for the actions of all employees is observing applicable law. The management and employees are called upon without exception to observe applicable laws, directives and social standards within the scope of their duties, regardless of whether these are international, national or local regulations. Unlawful behavior harbors the risk of damaging the company's image, weakening our market position and may even cause us economic harm.

The Compliance division is assigned directly to the Executive Board. This includes a Chief Compliance Officer and a Compliance Organization, which together implement, guide and further develop the Compliance Program, as well as supporting and advising employees all over the world. There is a Compliance Officer for each national unit, who is also available to local staff as a contact for individual questions. All FUCHS employees are required to actively contribute to implementing the Compliance Program in their area of responsibility. The compliance system is regularly reviewed and, if necessary, modified.

The FUCHS Code of Conduct, which was laid down as early as 2004 and updated in 2016, represents a binding framework for ensuring lawful and social-ethical behavior in the Group. The Code of Conduct is supplemented by information and training measures, the consistent processing and sanctioning of compliance infringements, a compliance hotline for reporting criminal or anti-cartel infringements against laws or provisions, regular compliance reporting, as well as a special compliance audit performed by the Internal Audit department. In addition to this, there is a digital whistleblower portal that gives users the opportunity to enter into a dialog with the Chief Compliance Officer while, if desired, remaining anonymous.

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

The FUCHS Code expresses a common leadership position and thereby offers general orientation for responsible actions. This common basic understanding is in line with the five central values practiced at FUCHS: Trust, creating value, respect, reliability and integrity. These values are considered to be a benchmark for internal objectives and form the basis for individual actions.

In November 2016, FUCHS PETROLUB signed the "Mannheim Declaration on Living Together in Diversity". The Mannheim Declaration formulates key moral-normative conditions and requirements for respectful cooperation and is an expression of a value base shared by the signing institutions, which actively campaign for successful coexistence in Mannheim. The Declaration is drafted as a declaration of understanding and agreement on the part of the alliance partners. By signing the Mannheim Declaration, FUCHS PETROLUB asserts that it will, to the best of its ability, (continue to) work against discrimination and for respectful coexistence in diversity, to collaborate in the alliance as part of a voluntary partnership and to join forces to create togetherness with equal opportunities for all.

FUCHS PETROLUB SE participated in an initiative of German economic leaders that presented a Code of Responsible Conduct for Business in November 2010 under the patronage of the Wittenberg Center for Global Ethics. The model explicitly addresses critical points being discussed in the public arena, such as profits, morals, downsizing, manager remuneration and rule infringements. 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. In accordance with the Code, this includes fair competition, social partnership, the performance principle and sustainability.

We have summarized our basic principles for sustainable business activities in the FUCHS Group in the form of a comprehensive Sustainability Guideline. The Executive Board bears overall responsibility for sustainability at FUCHS. The Chief Sustainability Officer supports all activities relevant to sustainable business activities throughout the company as well as our social commitment. 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 at the Group HQ and are available as a point of contact for any specific questions that might arise in this regard. Further information on the topic of sustainability at FUCHS can be found in the sustainability report. → 26 Sustainability report

Opportunity and risk management

Sound corporate governance also includes 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 informed regularly 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 financial accounting process and examines the effectiveness of the internal control system, the risk management system and the audit system as well as the audit. The internal control system, the risk management system and the internal audit system are continuously further developed and brought in line with the ever changing framework conditions. Details on this can be found in the opportunity and risk report (separate chapter in the combined management report).

High degree of 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 and interim financial reports. In addition to this, FUCHS PETROLUB SE also provides information through scheduled and ad-hoc press releases. All information can be viewed on the Internet at → www.fuchs.com/group. The website also offers a financial calendar that contains the scheduled dates and times of all important events and publications.

As far as managers' transactions are to be reported, these are published on the website.

The members of the Executive Board and Supervisory Board are committed to the interests of the company. In reaching their decisions, they must neither pursue any personal interests nor 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 is also to be informed of conflicts of interest that have occurred and how they are being handled. There were no such 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) in the way in which they are to be applied in the European Union. The statutory annual financial statements of FUCHS PETROLUB SE, relevant for the distribution of dividends are prepared in accordance with the provisions of the German Commercial Code (HGB). After preparation by the Executive Board, the annual and consolidated financial statements, as well as 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.

An agreement is reached with the auditor that he will immediately inform the Chairman of the Supervisory Board and/or the Chairman of the Audit Committee of any issues uncovered during the audit that might give rise to statements of exclusion or reservation in the auditors' report, unless these issues can be resolved immediately. The auditor is also to immediately report on all findings or conclusions important for the duties of the Supervisory Board that become apparent when performing the audit. The auditor is also to inform the Supervisory Board or make a note in the auditor's report if he detects any facts while performing the audit that render inaccurate any part of the Declaration of Compliance submitted by the Executive Board and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act.

Information on the auditor

Following the proposal of the Supervisory Board, the Annual General Meeting on May 4, 2016, elected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the annual and consolidated financial statements of FUCHS PETROLUB SE for the financial year 2016. KPMG has been the auditor of FUCHS PETROLUB SE since the 1991 consolidated financial statements and the 1995 annual financial statements. Since the audit of the financial year 2013, the auditor responsible has been Hans-Dieter Krauß.

Text of declaration of compliance

Declaration of Compliance 2016 of the Executive Board and the Supervisory Board of FUCHS PETROLUB SE pursuant to Section 161 AktG

FUCHS PETROLUB SE complies 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 and will continue to comply accordingly.

Since the last declaration of compliance dated December 10, 2015, 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 13, 2016

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 13, 2016.

Mannheim, March 21, 2017

FUCHS PETROLUB SE

The Executive Board

Compensation report

The following compensation report is part of the combined management report.

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

The total compensation comprises various components. Specifically, these are performance-based annual fixed compensation, performance-based 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), which forms the basis for variable compensation components throughout the Group. As an indicator of sustainable company development, the FVA is based on both annual profit and capital employed, which itself is based on long-term decisions (personnel development, capital expenditure, research and 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 medium and 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. 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 is terminated on or after their 65th birthday.

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 2016 and the pension expenses can be taken from the table below. Dr. Alexander Selent retired as expected as of December 31, 2015; Ms. Dagmar Steinert and Dr. Timo Reister were appointed to the Executive Board with effect from January 1, 2016.

Total Executive Board compensation

The benefits granted represent the accrual, given that the compensation structure does not specify either a target value or a comparable value for variable compensation.

	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		
Benefits granted (in € thousand)	2016	2016 Min	2016 Max	2016	2016 Min	2016 Max	2016	2016 Min	2016 Max
Fixed compensation	800	800	800	500	500	500	500	500	500
Additional benefits	16	16	16	19	19	19	15	15	15
Total	**816**	**816**	**816**	**519**	**519**	**519**	**515**	**515**	**515**
Annual variable compensation (STI)	988	0	1,200	494	0	750	309	0	750
Multi-year variable compensation (LTI)	988	0	1,200	494	0	750	309	0	750
Total variable compensation	**1,976**	**0**	**2,400**	**988**	**0**	**1,500**	**618**	**0**	**1,500**
Total compensation Section 314 HGB	**2,792**	**816**	**3,216**	**1,507**	**519**	**2,019**	**1,133**	**515**	**2,015**
Pension expenses	192	192	192	176	176	176	100	100	100
Total compensation GCGC	**2,984**	**1,008**	**3,408**	**1,683**	**695**	**2,195**	**1,233**	**615**	**2,115**

	Dr. Ralph Rheinboldt Member of the Executive Board since 2009			Dagmar Steinert Member of the Executive Board since 2016			Total Executive Board compensation	
Benefits granted (in € thousand)	2016	2016 Min	2016 Max	2016	2016 Min	2016 Max	2016	2015
Fixed compensation	500	500	500	500	500	500	2,800	2,125
Additional benefits	15	15	15	10	10	10	75	66
Total	**515**	**515**	**515**	**510**	**510**	**510**	**2,875**	**2,191**
Annual variable compensation (STI)	494	0	750	309	0	750	2,594	–
Multi-year variable compensation (LTI)	494	0	750	309	0	750	2,594	–
Total variable compensation	**988**	**0**	**1,500**	**618**	**0**	**1,500**	**5,188**	**5,258**
Total compensation Section 314 HGB	**1,503**	**515**	**2,015**	**1,128**	**510**	**2,010**	**8,063**	**7,449**
Pension expenses	124	124	124	100	100	100	692	924
Total compensation GCGC	**1,627**	**639**	**2,139**	**1,228**	**610**	**2,110**	**8,755**	**8,373**

In addition to the accrued compensation components, the accrual also includes pension expenses from direct and indirect pension commitments, although this is not actual accrual in the proper sense. The amounts of variable compensation paid represent the amounts granted for the financial year, which are paid out in March of the subsequent year.

The present value of pension commitments less fund assets, which equates to the provision amount, is €6,650 thousand (6,199) for the Executive Board members active at the end of the year. Of this amount, €3,057 thousand is attributable to Stefan Fuchs (DBO €4,916 thousand; fund assets €1,859 thousand), €1,971 thousand to Dr. Lutz Lindemann (DBO €3,827 thousand; fund assets €1,856 thousand) and €1,622 thousand to Dr. Ralph Rheinboldt (DBO €2,887 thousand; fund assets €1,265 thousand).

The total compensation of former Executive Board members and their surviving dependents in 2016 amounted to €539 thousand (416). The pension provisions – pension obligation less fund assets – for former Executive Board members and their surviving dependents amounted to €3,014 thousand (1,760); DBO €12,234 thousand (7,647), fund assets €9,220 thousand (5,887).

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) and is paid out after the Annual General Meeting. 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.

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 2016 (2015)

in € thousand	Fixed compensation	Variable compensation	Compensation for committee work	Total
Dr. Jürgen Hambrecht	120	53	20	**193**
	(120)	(48)	(20)	(188)
Dr. Dr. h.c. Manfred Fuchs	90	40	30	**160**
	(90)	(36)	(30)	(156)
Ines Kolmsee (until May 6, 2015)	–	–	–	**–**
	(21)	(8)	(11)	(40)
Horst Münkel	60	27	–	**87**
	(60)	(24)	–	(84)
Ingeborg Neumann (since May 6, 2015)	60	27	30	**117**
	(39)	(15)	(20)	(74)
Lars-Eric Reinert	60	27	–	**87**
	(60)	(24)	–	(84)
Dr. Erhard Schipporeit	60	27	40	**127**
	(60)	(24)	(40)	(124)
Total	**450**	**201**	**120**	**771**
	(450)	(179)	(121)	(750)

1.5 Sustainability report

Sustainability management

Sustainability at FUCHS means continuous development and optimization. We have been systematically working on improvements in various areas of sustainability since 2011 and in 2016 we reached further milestones within and beyond our process chain.

These involve in particular:

- Including sustainability criteria as part of the annual FUCHS supplier evaluation. In the future, all centrally managed FUCHS suppliers will also be evaluated according to the product carbon footprint of the raw materials supplied to FUCHS.
- Continuing the certification of FUCHS locations with regard to energy efficiency. At the end of 2016, five production locations in Europe, which account for around two thirds of the regional production volume, were certified with an energy management system in accordance with ISO 50001.
- Introducing the FUCHS R&D Sustainability Award for the most sustainable product or project development within the FUCHS Group worldwide. This internal competition, which will now take place every year, shall further embed the issue of sustainability into research and development at FUCHS. The winner will be announced at the annual FUCHS Global R&D Meeting. In 2016, the award was won by the team from FUCHS France.
- Further reducing CO_2 emissions from company vehicles in FUCHS' German fleet. We managed to reduce this figure by more than 10% from 136 g/km in 2013 to 121 g/km at the end of 2016.
- Establishing a partnership project with sustainability experts from the BASF business unit Fuel and Lubricant Solutions, with objectives including the development of an evaluation benchmark for assigning lubricant products to quantifiable sustainability categories.
- Instigating and taking a leading role in the founding of a sustainability initiative for the lubricants industry. Together with other lubricant companies in Germany, FUCHS wants to establish, define, categorize, measure and report on sustainability in the German lubricants industry under the aegis of the German Lubricants Industry Association. The aims include to agree on shared benchmarks in the quantitative measurement of carbon footprints in order to guarantee the comparability of manufacturers' data and for these benchmarks to eventually become standards.
- Supporting the chair of CSR at the University of Mannheim, e. g. with lectures on the role of sustainability in economic activity.
- Engaging in a cross-sector sustainability initiative of German companies, which is coordinated by econsense together with the Wittenberg Center for Global Ethics.

In 2016, FUCHS was the first company from the lubricants industry to win the German Sustainability Award for its sustainability management activities so far. The expert jury explained its decision as follows: "Numerous measures with measurable successes prove that even a lubricants manufacturer can incorporate sustainability along the value chain as well as in its own business model and is able to continuously improve its sustainability level. The German Sustainability Award jury encourages the company along this path as a role model for the industry and acknowledges the sustainability initiative of FUCHS PETROLUB SE in a not yet well known industry with the award in the category 'Germany's Most Sustainable Medium-Sized Company 2016.'" The German Sustainability Award is presented by the German Sustainability Award Foundation in cooperation with the German government, leading municipal associations, trade associations, civic organizations and scientific institutes.

→ 🌐 www.fuchs.com/sustainability-management

Dimensions of sustainability

Dimensions of sustainability

FUCHS' sustainability activities combine economic, ecological and social aspects of the management approach. FUCHS' sustainability management accordingly covers the three sustainability dimensions of economy, ecology and society.
→ ◎ Dimensions of sustainability

Economic sustainability

FUCHS considers economic responsibility as long-term alignment of its business with the objective of continually increasing company value for the benefit of our shareholders and stakeholders. Accordingly, FUCHS bases its business decisions on realistic, economically sound and long-term goals and follows a dividend policy that targets constantly rising or at the very least stable dividend payouts.
→ 56 Overall position and performance indicators

Economic indicators

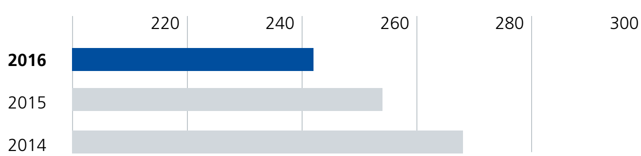
	2016	2015	2014
FUCHS Value Added (FVA) in € million	257	246	230
Earnings before interest and tax (EBIT) in € million	371	342	313
Net operating working capital (NOWC) in %	21.8	21.3	21.0
Total dividend payout in € million*	123	113	106

* Dividend proposal for 2016.

Ecological sustainability

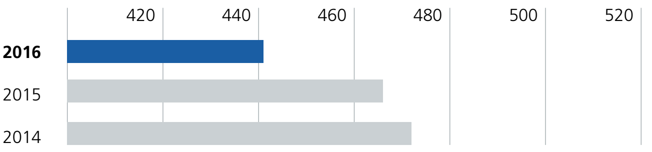
FUCHS ensures that the raw materials supplied and used comply with the corresponding national regulations and invests in alternative raw material solutions that help protect the environment and resources. FUCHS invests in modern and safe facilities for lubricant production. Due to the low vertical integration that we employ as a blender at the end of the process and value chain, our direct ecological impact in lubricant manufacturing – unlike in the conventional chemical industry – is relatively low. Nonetheless, we have set ourselves the target of continuously reducing our ecological footprint through targeted methodological and process optimizations.

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



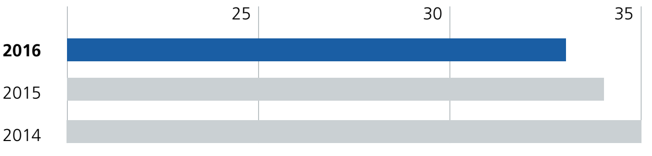
Basis: FUCHS production locations (excluding acquisitions 2016).

Development of water consumption
(in liters per ton produced)



Basis: FUCHS production locations (excluding acquisitions 2016).

Waste generation
(in kilograms per ton produced)



Basis: FUCHS production locations (excluding acquisitions 2016).

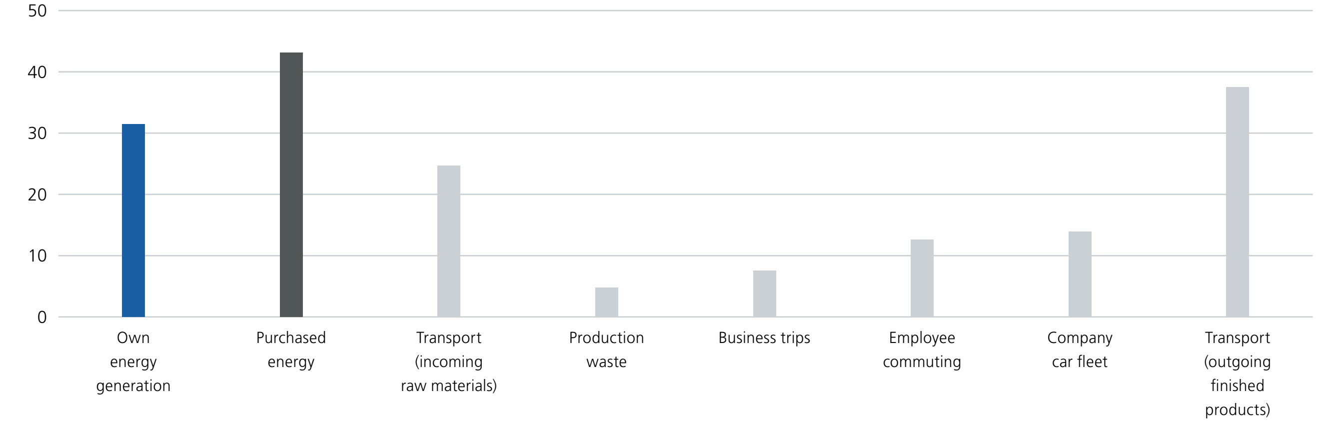
FUCHS' total CO_2 emissions – as far as can currently be measured – along the value chain amount to a FUCHS corporate carbon footprint (CCF) of approximately 180 kg per ton produced.
→ FUCHS CCF

With lubricant products attuned perfectly to their intended application, we are also increasing the efficiency of our customers' production processes and helping to reduce their emissions.

Social sustainability

For FUCHS, social sustainability means taking responsibility for its employees and for society in equal measure. We see our employees as the foundation of our success. FUCHS undertakes to uphold human rights and labor standards and to promote health and safety in the workplace. We consistently pursue the objective of finding the optimum balance between the business interests of FUCHS and the private and family needs of our employees and therefore help the latter combine a career with family.
→ # Social indicators

FUCHS CCF
(in kilogram CO_2e per ton produced)



- Scope 1: Direct emissions through own energy generation.
- Scope 2: Indirect emissions through purchased energy.
- Scope 3: Indirect emissions along the value chain.

Basis: FUCHS production locations 2014.

Social indicators

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

Basis: FUCHS production locations (representativeness: 90%).
[1] Proportion of employees that voluntarily leave the company.
[2] Number of accidents with more than three absence days.

In connection with social responsibility (corporate citizenship), FUCHS supports social and voluntary work in various ways. Academic, cultural and social projects are supported at the company's locations around the world.

Social activities include:

- Germany: FUCHS has been socially engaged at the Group's headquarters in Mannheim and in the Rhine-Neckar Metropolitan Region for many years and has thus made corporate citizenship a constant and successful part of the corporate culture there. In October 2016, we presented the FUCHS Sponsorship Award, with a total prize fund of €50,000, to 15 social projects in Mannheim for the 17th time.
- India: FUCHS' Indian subsidiary has campaigned in various ways for the sustainable development of public welfare and the improvement of living conditions ever since it was founded. One of its key activities is the partnership with a school for underprivileged children in Mumbai – FUCHS paid the school fees for 80 of them in the 2016 / 17 academic year.
- China: Together with a local foundation, FUCHS China has sponsored soccer and rugby training at a Chinese elementary school since 2011. The initiative is also combating the increasing health problems of China's teenagers.

Sustainability initiatives

Sustainability initiatives

Responsible Care
FUCHS is among the co-signatories of the "Responsible Care Global Charter" of the International Council of Chemical Associations (ICCA). FUCHS is committed to following the initiative's guidelines.

Chemie³
FUCHS is involved in the sustainability initiative Chemie³, which is carried by the German Chemical Industry Association (VCI), the German Mining, Chemical and Energy Industrial Union (IG BCE) and the German Chemical Industry Employers' Federation (BAVC).

Wittenberg-Zentrum für Globale Ethik / econsense
FUCHS supports the "Code of Responsible Conduct for Business" initiative, which is chaired by the Wittenberg Center for Global Ethics (WCGE). Since the end of 2016, FUCHS also participates in a cross-sector initiative of German businesses for the establishment of sustainability networks in emerging and developing countries, which is coordinated by the sustainability network econsense together with the WCGE.

1.6 Disclosure required under takeover law

The relevant disclosures required pursuant to Sections 289 (4), 315 (4) of the German Commercial Code (HGB) are presented below.

Composition of the share capital

As at December 31, 2016, the company's subscribed capital was €139,000,000. The share capital is divided into 69,500,000 bearer ordinary shares with no par value and 69,500,000 bearer preference shares with no par value. The percentage of share capital in the company is therefore 50% per share class. Each share is assigned a nominal value of €1 on the balance sheet date. 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 the voting right. 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 of the German Stock Corporation Act (AktG).

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

Limitations that affect voting rights or the transfer of shares

Together with members of the Fuchs family, RUDOLF FUCHS GmbH & Co. KG, Mannheim, forms the Schutzgemeinschaft Fuchs. Within the Schutzgemeinschaft Fuchs there are limitations with regard to the exercising of voting rights and the transfer of shares. The voting rights of all members in the Schutzgemeinschaft Fuchs are exercised uniformly by the management of the Schutzgemeinschaft. In the case of paid and free of charge transfer of shares from members of the Fuchs family or RUDOLF FUCHS GmbH & Co. KG to third parties, the shares must first be offered internally within the Schutzgemeinschaft.

In addition to this, RUDOLF FUCHS GmbH & Co. KG and several members of the Schutzgemeinschaft Fuchs also concluded a voting trust and escrow agreement. Based on this, 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 given to members of the Executive Board and the Supervisory Board as part of their variable compensation have a vesting period of three respectively five years. The vesting period for Supervisory Board members is waived when they leave the Supervisory Board.

The Executive Board is not aware of any other limitations that affect voting rights or the transfer of shares.

Investments in the capital that exceed 10% of voting rights

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

The Schutzgemeinschaft Fuchs holds the majority of the capital stock with voting rights. RUDOLF FUCHS GmbH & Co. KG holds 49.2% of the voting rights. The individuals who are members of the Fuchs family hold a further 4.8%. The Schutzgemeinschaft Fuchs therefore holds 54.0% of the voting shares in total.

Shares with special rights which confer supervisory powers

There are no shares with special rights which confer supervisory powers.

Type of voting rights control when employees participate in the capital and do not directly exercise their control rights

As is the case with other shareholders, those employees that participate in the company's capital can exercise their control rights directly pursuant to the legal requirements and terms of the company's Articles of Association.

Legal requirements and terms of the company's Articles of Association regarding the appointment and dismissal of members of the Executive Board and changes to the Articles of Association

The company's Articles of Association in their current form comply with the legal requirements pursuant to Article 39 of the SE Regulation, Section 16 of the SE Implementation Act, as well as Sections 84 and 85 of the German Stock Corporation Act (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.

Authority 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 Supervisory Board's consent, to increase the share capital of the company by up to €27,800,000 in one or several tranches until 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 and/or preference shares with no voting right may be issued in compliance with Section 139 (2) of the German Stock Corporation Act (AktG).

The Executive Board is authorized, with the Supervisory Board's consent, to acquire until May 5, 2020 and for all legally admissible purposes own ordinary and/or preference shares 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 employed 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 that are in place in the event of a change in control as a result of a takeover bid

The company reached agreements with two banks that enable the termination or repayment of lines of credit/loans granted with a total value of around €60 million in the event of a change in control, insofar as no agreement can be reached 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.

1.7 FUCHS shares

German indices showed positive overall development in a volatile market environment

In 2016, the global capital markets continued their volatile development from the previous year. The dominant issues that unsettled investors and thus led to market fluctuations were the many geopolitical events, such as the uncertainty within the EU, the central bank decisions in the USA (base rate increase) and Europe (continuation of low-interest policy and bond-buying) and the concerns about a slump in the global economy.

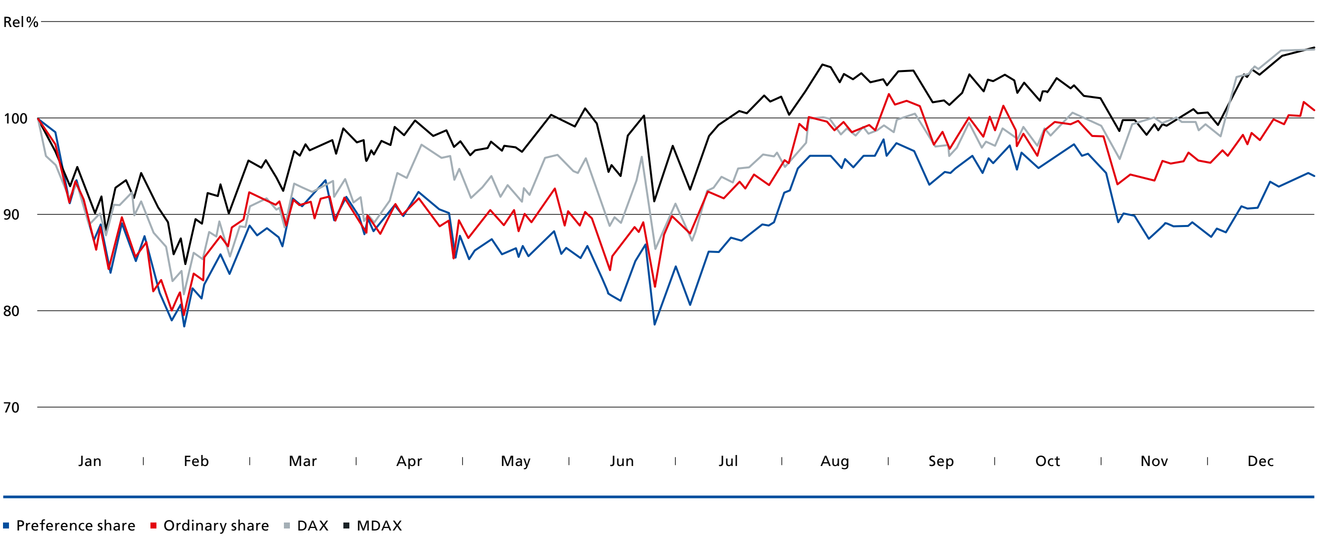
The DAX and MDAX suffered heavy losses, especially in the first quarter of 2016 and reached their annual lows of 8,753 and 17,595 respectively in February. After a turbulent year, both indices were up at the end of the year, boosted by good economic data, the weakening of the euro against the dollar and the rising price of oil. The DAX and MDAX closed December 30, 2016 at their respective annual highs of 11,481 (10,743) and 22,189 (20,775). Compared to the previous year, the German leading index therefore rose by 6.9 %. The MDAX saw a gain of 6.8 %.

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 turbulence on the financial markets was also reflected in the performance of the FUCHS shares. The prices of the FUCHS shares dropped considerably at the start of 2016, in line with the development of the DAX and MDAX. The ordinary share reached its annual low of €29.90 on February 11. After the share prices recovered briefly, sentiment on the financial markets deteriorated again at the end of the second quarter and the prices of the FUCHS shares declined again. On June 27, the preference share reached its annual low of €33.29. In the third quarter, the prices of the FUCHS shares recovered significantly. The ordinary share reached its annual high of €37.61 on August 31. In the same period, the preference share was priced just under its annual high of January 5, 2016 (€43.11). In the fourth quarter, there was another setback on the financial markets. In this difficult environ-

Performance trend* of ordinary and preference shares in comparison with DAX and MDAX
(January 1 – December 31, 2016)



* Price trend including dividends.

ment, the FUCHS shares, especially the preference share, came under extra pressure in connection with Q3 reporting. The prices of both share classes rose again by the end of the year, but the performance for the year was lower than that of the DAX and MDAX.

The ordinary share closed at €36.95 (37.69) in XETRA trading on December 30, 2016 and was therefore 2.0% below the 2015 year-end price. The preference share recorded a year-end price of €39.88 (43.50) on December 30, 2016 and therefore fell by 8.3% in the financial year 2016.

Assuming reinvestment of the dividend paid, the return of the ordinary share was 0.5% and of the preference share −6.3% in 2016 as a whole.

The price of the preference share is more volatile than that of the ordinary share, as it is listed in the MDAX, has a larger free float and is therefore the more liquid of the share classes.

FUCHS shares represented in important indices

FUCHS PETROLUB SE's ordinary share is included in the DAXplus Family Index. This index by Deutsche Börse covers German and international companies in the Prime Standard of the Frankfurt Stock Exchange in which the founding family has a significant stake. In addition to this, the ordinary share is included in the DAXplus Family 30, which comprises the 30 largest and most liquid companies of the DAXplus Family Index.

Since 2008, the FUCHS preference share has been listed in the MDAX, the second largest German stock index, which comprises 50 companies. At the end of 2016, the market capitalization of the preference share was €2.8 billion (3.0), which put FUCHS in 22nd (16th) position in the MDAX ranking. FUCHS' weighting in the MDAX was therefore 1.62% (1.95). The international significance of the FUCHS preference share is reflected by the fact that it is included in STOXX Europe 600, which lists the 600 largest companies from 17 European countries.

Trading volume of FUCHS shares

The shares in FUCHS PETROLUB SE are primarily traded on the XETRA platform, although they are also traded on all German regional stock exchanges. The trading volume (XETRA and Frankfurt) of ordinary shares averaged 29,918 shares per day (34,026). The average daily turnover of the ordinary share was around €1.0 million (1.2) in the financial year 2016.

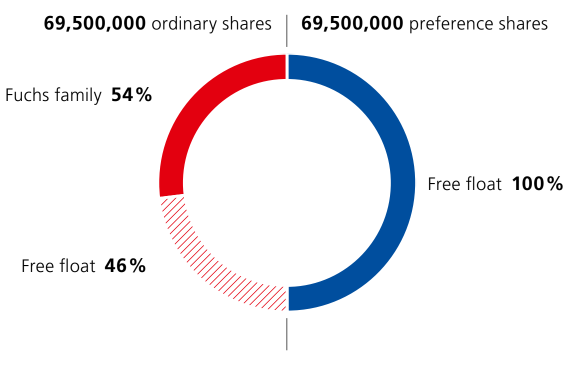
The significantly more liquid traded preference shares recorded an average daily trading volume (XETRA and Frankfurt) of 170,288 units in 2016 (184,062). This means that €6.5 million (7.3) was traded each trading day on the stock exchanges in the financial year 2016. FUCHS therefore remained in 37th place (37th) in the MDAX in terms of trading volume (turnover of the last twelve months).

Shareholder structure

The subscribed 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 carries one vote at the Annual General Meeting.

Due to the legal form of the shares (bearer shares), FUCHS does not have access to any share register, as would for example be the case with registered shares. The notification requirements pursuant to Section 21 ff. of the German Securities Trading Act (WpHG) refer exclusively to shares with voting rights and thereby not to the preference shares, which are without voting rights. This report therefore does not contain any detailed information regarding the shareholder structure of the FUCHS preference shares.

Shareholder structure as at December 31, 2016



Voting rights announcements

No voting rights announcements were made in the financial year 2016. DWS Investment, Germany, had submitted a statement by the end of the 2016 reporting period (voting rights announcement from December 15, 2003) declaring that it continued to hold 5.2% of the ordinary shares.

Annual General Meeting 2016

FUCHS PETROLUB SE's Annual General Meeting took place on May 4, 2016, at the Rosengarten Congress Center in Mannheim. 77.58% of the share capital secured in ordinary shares and 4.16% of the share capital secured in preference shares were represented there. The shareholders in attendance resolved upon a dividend of €0.81 per ordinary share and €0.82 per preference share. A total of €113.3 million was therefore distributed to the FUCHS shareholders. In terms of the earnings of FUCHS PETROLUB SE shareholders, the dividend payout ratio was 48%. The management's other proposals were accepted by a clear majority of the shareholders.

Analysts

The FUCHS Group was monitored by 16 analysts from various institutions in 2016:

- 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

UBS commenced analyst coverage in August 2016 and published its study on the FUCHS Group with a buy recommendation and a price target of €46.50. The Investor Relations section of the FUCHS website provides detailed information on current analyst recommendations and assessments.
→ www.fuchs.com/analysts

Intensive capital market communication

Continuous, open communication aims to further raise awareness of the company on the capital market and attain a fair valuation of the company. This is very important to FUCHS. Therefore, the management and the Investor Relations team hold numerous talks with institutional investors, financial analysts and private shareholders throughout the year.

In 2016, institutional investors and financial analysts had the opportunity to talk to the management face to face at nine conferences and ten roadshow days in Europe and North America. In addition to this, numerous individual on-site meetings and telephone conferences were held. Other important dates in the investor relations calendar included the Analysts' Conferences on the respective publication dates. The business and financial press were kept continuously up-to-date through press conferences and press releases.

Private investors frequently contacted the Investor Relations team by phone, letter or e-mail with their questions. The Annual General Meeting also offers an opportunity for brisk dialog with the company's representatives.

The FUCHS Annual Report 2015, entitled "Setting Standards Worldwide," won awards in numerous international competitions in 2016. It was awarded Gold in the LACP Vision Award, took Bronze in 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 distribution list at → www.fuchs.com/group/investor-relations/service-contact/order-form/. They will then automatically receive information about current developments at the Group and all regular publications by e-mail.

Besides financial reports and presentations, the FUCHS website also provides all important financial market dates and contact details for Investor Relations.
→ 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 2016, 537 employees (534) took the opportunity to purchase a maximum of 30 shares with a discount of €5.00 per share. The newly acquired shares have a vesting period of one year.

Dividend proposal

The Executive Board and Supervisory Board propose a dividend of €0.88 per ordinary share and €0.89 per preference share to the Annual General Meeting. This represents a dividend payout ratio of 47 %. With this proposal, we are continuing with the policy of a steadily rising or at least stable dividend.

Key figures for FUCHS shares

	Dec. 31, 2016		Dec. 31, 2015	
	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 €) (2016: Proposal)	0.88	0.89	0.81	0.82
Dividend yield (in %)[1]	2.6	2.3	2.3	2.1
Earnings per share (in €)[2]	1.86	1.87	1.69	1.70
Gross cash flow per share (in €)[3]	2.14	2.14	1.97	1.97
Carrying amount per share (in €)[4]	8.66	8.66	7.69	7.69
XETRA closing price (in €)	36.95	39.88	37.69	43.50
XETRA highest price (in €)	37.61	43.11	39.47	45.00
XETRA lowest price (in €)	29.90	33.29	30.83	32.24
XETRA average price (in €)	34.37	38.37	35.28	39.60
XETRA and Frankfurt average daily turnover (in € thousand)	1,028	6,535	1,200	7,288
Market capitalization (in € million)[5]	5,340		5,643	
Price-to-earnings ratio	18.5	20.5	20.9	23.3

[1] Dividend / average share price × 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.

2 → Combined Management Report

Sales revenues +9% to €2,267 million

FUCHS Value Added rises to €257 million

+8%

Increase in EBIT to €371 million

Combined Management Report[1]

[1] The figures in parentheses refer to the same period of the previous year

2

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.

The product portfolio is broken down into the core categories of automotive lubricants, industrial lubricants, lubricating greases, metalworking fluids and lubricants for special applications. These are rounded off by a comprehensive range of technical and process-related services.

TECHNOLOGY. Holistic solution

Technologically advanced, process-oriented and holistic lubricant solutions are a key success factor for FUCHS. Our worldwide network of experts solves customer requirements on a global scale by quickly and efficiently networking special skills and expertise. Around one in eleven employees works in research and development. The company is currently investing in more than 600 research and development projects, which all have the objective of providing optimum solutions to meet the requirements of our customers. The aim is to defend and build up our technological leadership in important business segments. 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

Around 5,000 highly qualified and specialized employees worldwide are committed to satisfying our customers. The global FUCHS team regards itself as a well-functioning unit, whose personal dedication continues to write new chapters in the FUCHS success story year after year. Intensive dialog with our customers and business partners based on trusting collaboration is what enables us to always find the optimum, tailor-made lubricant solution to meet the individual requirements of our customers.

Our business model is also characterized by internationality and scale.

Internationality and scale

A strong position in the European market forms the basis for the internationalization of FUCHS' business. The comprehensive product portfolio allows the ever more complex specialization requirements in mature markets to be met, while also enabling the Group to participate in the growth potential in developing markets in Asia, Africa, South America and Eastern Europe. At the end of the reporting period, there were 31 operating companies active in Europe and six operating companies active on the American continent. Customers in the Asia-Pacific, Africa region were supported by 20 operating companies. FUCHS not only supports important customers in new markets, but at the same time also wins new local customers with its tailor-made solutions. In addition, diversification in regions and industries ensures that economic and industry cycles are balanced out.

The organization of the Group follows the principles of transparency and simple structures. This allows reporting paths to be kept short and ensures efficient division of operational leadership and managerial duties under corporate law. We generally hold a 100% stake in all of our subsidiaries. However, we also hold 50% stakes in various companies in Switzerland, Turkey and the Middle East, as well as one minority holding in Saudi Arabia.

As a rule, control of the business is incumbent upon the foreign subsidiaries. They retain functions such as production and administration and manage sales which is characterized by local customer care that incorporates industry-specific specialists and globally networked product managers. Where prudent and feasible, purchasing and research & development activities are widely bundled in addition to the local presence.

The organizational structure at FUCHS groups the businesses into the three geographic regions of Europe, Asia-Pacific, Africa and North and South America and reflects the control and reporting system.

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 create the basis for this. The levers for achieving this goal are 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 a major 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 expresses profit as a ratio of capital expenditure. Besides this, further key performance indicators are regularly reported to the Executive Board and, from here, to the Supervisory Board. They 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. External growth describes the effects of portfolio changes. This key performance indicator of organic growth allows the development of business operations to be presented without the distorting effects associated with translating sales revenues into euro. We use these key performance indicators 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 is a key liquidity indicator and 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 investment, 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 revenue 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 corresponding measures introduced.

Research and development

Research and development work at FUCHS PETROLUB SE has focused on the expansion of laboratory capacity at locations abroad and improvements to testing capabilities. There are currently more than 400 employees working on approximately 620 (600) projects all over the world. Research and development expenses have risen to €44 million (39).

Expansion of laboratory in Harvey

A new laboratory for developing lubricating greases is being set up at the Harvey, Illinois location in the USA. Work on the project is largely completed. At the same time, one of the most cutting-edge grease plant is being built in Harvey for the production of technologically sophisticated greases. The laboratory and plant are important steps in the process of handling this product group on the US market.

Full transmission test facility improves testing capacity

In October 2016, approval was issued to use the new FUCHS SCHMIERSTOFFE testing center in Mannheim. In conjunction with this, the first test fields were commissioned at the end of the year. With 1,200 square meters of floor space, the building offers room for 15 test fields, as well as a trial spraying plant for testing applications for cavity preservation on full bodies.

The centerpiece of the test facility is a full transmission test field, which will complete the range of transmission tests offered at FUCHS SCHMIERSTOFFE in Mannheim. A highly flexible 3E engine structure producing 500 kilowatts of drive output is scheduled to be available for tests on automotive differentials and manual transmissions from the end of 2017 onward. The option of full transmission testing adds to the existing extensive range of equipment for testing transmission fluids in transmission components, such as roller bearings, gearing, synchronization and multi-disc clutches.

The new DRAKULA bearing test facility was commissioned at the start of 2016. As part of a collaborative project with OEM customers, new types of customer-specific roller bearings for challenging OEM requirements are being tested in a special test setup and work is being carried out to verify the suitability of the state-of-the-art, low-viscosity transmission fluids from FUCHS SCHMIERSTOFFE.

New methods

In addition to its research and development activities, the FUCHS Group is increasingly integrating calculation methods. Together with universities in Germany, processes are being developed to ensure not only that lubricant requirements can be reproduced experimentally in the laboratory but also that calculation and simulation can be incorporated as supporting elements into research and development methods.

In addition to a greater understanding of load conditions, the depiction of chemical processes through empirical models plays a key role. With the new options available to us, we are improving our comprehension of our developments despite the complex nature of our systems and expect to be able to cut time to market accordingly.

Employees

After the number of employees rose sharply in 2015 due to acquisitions, the workforce increased in 2016 due mainly to organic growth.

Since 2007, the total workforce has increased by around 1,100 employees. This growth has presented new challenges for our organizational and communication structures. The five values of our mission statement – trust, creating value, respect, reliability and integrity – support us in taking on and successfully mastering these challenges.

Leadership principles

We are working continuously to strengthen our global, function-based networks and to improve communication between all levels of the hierarchy. In order to achieve this, we set our focus on management behavior. 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. This should also include sharing information independently of hierarchies.

This presents our employees and managers with many different challenges. Organizational expertise, linguistic skills and intercultural flexibility are the key topics we are working on and which we promote with various measures.

The integration of the two major acquisitions of 2015 (PENTOSIN and STATOIL FUEL & RETAIL LUBRICANTS) has progressed successfully. The inclusion of new colleagues in internal networks and cooperation has developed very well. In addition, FUCHS is faced with the challenge of creating a working environment that works "boundlessly" and makes all resources available worldwide. In 2016, the IT concepts necessary for internal communication were reviewed and redesigned for this purpose.

Slight rise in number of employees

As of December 31, 2016, there were 4,898 employees (4,823) in the FUCHS Group. The total workforce therefore increased by 75 people or 1.6% year on year, of which 25 employees due to acquisitions in the USA.

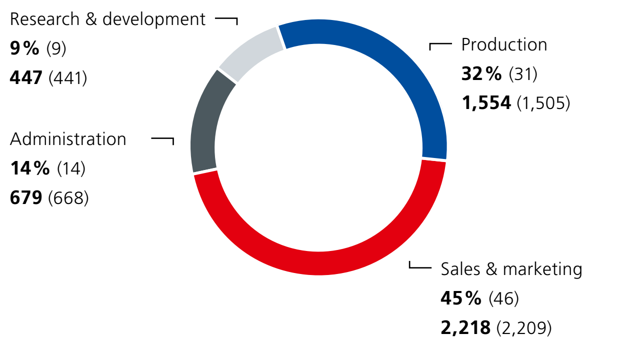
The number of employees in the Asia-Pacific, Africa region increased by 11 (1.1%), while the Europe region added 46 (1.4%) new employees. In North and South America, the number of employees increased by 18 (3.1%) compared to December 31, 2015.

Geographical workforce structure

	Dec. 31, 2016	in %	Dec. 31, 2015	in %
Germany	1,415	29	1,397	29
Other European countries	1,837	38	1,809	38
North and South America	606	12	588	12
Asia-Pacific, Africa	1,040	21	1,029	21
Total	**4,898**	**100**	**4,823**	**100**

In line with our focus on technology and sales, as well as our aim to strengthen our global networks, more than half of all new employees since 2007 (808 people) were hired in the sales and marketing department. This department's share in the total workforce has risen from 37% to 45%. More than 100 new people have joined the research and development department, where 9% of employees work, in the last nine years. The share of employees in production fell from 37% to 32% and in administration from 17% to 14%.

Functional workforce structure
Figures 2016 (2015)



Further strengthening of the employer brand

For FUCHS, it is important to be perceived as an attractive employer. We again used a wide variety of information channels to communicate our employer brand in 2016. The target group of students and young professionals in particular was addressed via our presence at trade fairs. We use various measures to focus both on this target group and on school leavers.

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

Our collaboration with **universities** was reinforced in order to increase awareness of FUCHS as an attractive employer among students, graduates and junior scientists starting out on their career. We particularly focus on establishing contacts to students with exceptional academic achievements and fostering these. In addition, we also regularly offer internships, provide support for those writing their bachelor's or master's thesis and sponsor selected students with scholarships.

Winning **qualified specialists** remains a real challenge in the growth markets of Russia, India and China, but also in mature markets such as the USA. For this reason, the review and the further development of recruiting processes was an important issue at the Global HR Network Meeting held in November 2016. Internal qualification for our employees in Human Resources (HR) and better direct cooperation among those with local personnel responsibility helped to significantly strengthen our position. The regional HR functions in the Nordic countries, in Central and Eastern Europe, the Middle East, in South-East Asia and in America are an important element for the cultivation of regional job markets. Our goal remains to find the best talents in the respective areas of expertise and to motivate them for FUCHS and our products.

Training

As at December 31, 2016, 72 young people at our German subsidiaries were attending dual training programs. 20 trainees completed their training in the reporting year.

We provide training in six different commercial and technical job profiles. In addition to this, we offer goal-oriented and qualified high school graduates the opportunity to attend a dual study program, in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) and gain a bachelor's degree.

Dual study programs represent a key building block for junior staff development at FUCHS. Besides the various training institutes and DHBW courses, we also offer study-related internships at our subsidiaries in Germany and abroad. Last year, internship places were filled at our subsidiaries in Japan, China and Singapore, among others. At the same time, foreign interns gained practical experience in Mannheim. We also support students in doing research for their thesis. Many of our current high performers are former students, trainees and interns. Encouraging these potential future FUCHS employees is an important investment in our future.

Sustainable personnel policy

Within the context of sustainable personnel management, we have implemented projects in the fields of health management, further training and work-life balance. We consistently pursue the objective of finding the optimal 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 component here. Besides typical flexitime models, part-time models are also offered, which range from 15 to 32 hours per week and also involve job-sharing models or shift work. We constantly examine ways in which we can further develop our family-oriented offers in order to cater even more effectively to the various life phases of our employees.

Conventional training courses on handling loads, skin protection or ergonomics when working with monitors are now a given in company health management. At the Mannheim site, for example, it goes further to include regular programs for the early detection of colon cancer, addiction prevention and healthy eating. Beside this, we also support initiatives established by employees to partake in sporting activities together.

Staff development

Besides vocational training, requirements-based further training remains the basis for developing specialist personnel and high potentials.

As a global training institution, the FUCHS ACADEMY offers regular seminars on the most diverse technical subjects and provides our sales experts with sound background knowledge on our products and their applications through targeted training courses. The FUCHS ACADEMY also offers a very popular learning platform for junior staff and employees with high potential, which helps secure continuous and targeted further development of our employees. Individual training measures are supplemented by specialist area-specific network meetings that support collaboration across physical, cultural and linguistic boundaries.

Due to the global structure of our organization, intercultural competence is an important success factor for our staff. We promote this competence through assingments of our employees around the world. This applies not only to the targeted deployment of specialists and managers to FUCHS subsidiaries, but also already to trainees and interns.

The aforementioned measures are complemented by language courses, some of which are conducted online. We thus ensure that the Group language of English forms a reliable basis for knowledge exchange. With internal training, FUCHS also ensures optimum transfer of expertise from our knowledge holders to new employees. Whenever necessary and sensible, we organize both short training placements and long-term deployments at our subsidiaries throughout the world.

Our global talent management program is used to identify and consistently promote talent at all of our subsidiaries. Talents from all global regions came together in 2016 at multi-day events in the Mannheim area to discuss topics such as strategy, leadership or internal organization with members of the Executive Board. The important impulses from these events not only proved beneficial for the participants in terms of their personal development, but also for our company. The global talent management concept is also supported by local programs to promote talents.

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 proportion of females in management positions remained unaltered at the same high level of 21% recorded at the end of the reporting year.

Sustainability

The main features of the company's system of sustainability management, as well as the development of selected sustainability indicators are presented in the annual report.
→ **26** Sustainability report

2.2 Macroeconomic and sector-specific conditions

Development in 2016 and forecast for 2017*

Stable growth expected for global economy

Development of gross domestic product

in %	Forecast 2016	Actual 2016	Forecast 2017
Germany	1.7	1.7	1.5
Eurozone	1.7	1.7	1.6
USA	2.6	1.6	2.3
China	6.3	6.7	6.5
Highly developed countries	2.1	1.6	1.9
Emerging and developing economies	4.3	4.1	4.5
World	**3.4**	**3.1**	**3.4**

Source: IMF

- Global economic growth of 3.1 % in 2016 on par with previous year (3.2 %), expected to be slightly higher than the growth of 2016 in 2017 at 3.4 %.
- Economic growth in industrialized countries lower than the forecast in 2016, while emerging and developing economies stabilized global growth.
- Economic upturn in the eurozone at the forecast level. Largest growth driver was private consumption.
- The economy in China was sustained at a high level by expansionary monetary and fiscal policy measures.
- The largest national economy in the world, the USA, only moderately continued its trajectory of recovery and was well below the forecast for 2016 at the end of the year.

Steel industry with overcapacity, but regional recovery anticipated

Development of crude steel production

in %	Forecast 2016	Actual 2016	Forecast 2017
Germany	−3.0	−1.4	1.0
Europe	1.6	−0.3	0.9
Asia	0.5	1.6	0.2
North America	1.2	0.0	3.0
World	**0.1**	**0.8**	**0.6**

Sources: WSA, German Steel Trade Association (WV Stahl), CB Research

The international steel industry was again under pressure in 2016: The subdued demand for steel, structural overcapacity and exports from China were a strain on global steel markets, says the German Steel Trade Association (WV Stahl). In Germany, the steel industry did not perform as negatively as originally forecasted thanks to the solid business done by key steel-working firms.

According to WV Stahl, there are also considerable risks for the steel industry in 2017. Global overcapacity and cheap steel from China continue to threaten the steel industry in the West. Although Asian steel production is sinking and domestic demand there is rising, overcapacity remains extremely high. WV Stahl anticipates a considerable recovery for Western steel production, due in particular to protectionist measures.

Growth forecast for engineering again

Development of engineering sales revenues

in %	Forecast 2016	Actual 2016	Forecast 2017
Germany	0.0	0.0	1.0
Eurozone	1.0	0.0	1.0
China	1.0	3.0	3.0
USA	1.0	−2.0	3.0
World	**1.0**	**0.0**	**2.0**

Sources: German Mechanical Engineering Industry Association (VDMA), DB Research

According to preliminary estimates by the German Engineering Industry Association (VDMA), global engineering sales revenues stagnated in 2016. Among the largest markets, only China grew, in particular due to government stimulus measures. In the USA, the engineering industry posted a real decline. Europe developed variedly, seeing zero growth overall.

According to VDMA forecasts, global sector sales revenues are to recover in 2017 thanks to the economic recovery and the advance of digitalization and automation. For China, VDMA anticipates growth on a par with the previous year. In the USA, mechanical engineering is expected to recover significantly and post real growth again. For Europa and Germany, VDMA expects a slight increase in sales revenues.

* Forecast data for 2016 as at March 2016, other data as at February 10, 2017.

Sharp rise in global car production in the reporting year

Development of car production

in %	Forecast 2016	Actual 2016	Forecast 2017
Germany	0.5	1.0	0.0
Europe	2.0	3.0	1.5
China	5.2	13.6	2.6
USA	1.7	1.2	−2.7
World	**3.2**	**4.9**	**1.6**

Sources: National associations, IHS Automotive, LMC Automotive, DB Research

The global automotive industry continued on its growth trajectory in 2016 and exceeded the sector experts' original forecast. This is due in particular to the strong growth in China, which benefited from tax incentives. In Europe – the world's second largest automotive market – car manufacturers also increased their production as a result of robust demand. In North America, production growth remained moderate, also because of the appreciation of the dollar.

Despite the economic recovery, the automotive industry's prospects for 2017 are only moderately positive. Meanwhile, growth rates in China and Europa are faltering. A decline in production is assumed in North America. The German Association of the Automotive Industry (VDA) expects production in Germany to remain at the high level of the previous year.

Chemical industry with moderate growth

Development of chemical production

in %	Forecast 2016	Actual 2016	Forecast 2017
Germany	1.0	0.5	0.5
EU	1.5	0.0	0.5
China	8.0	8.5	6.5
USA	2.5	−0.1	2.0
World	**4.0**	**3.5**	**3.5**

Source: German Chemical Industry Association (VCI), Cefic

In 2016, global chemical production grew at a faster rate (3.5%) than industrial production as a whole (1.5%). In China, it again rose considerably faster than in the other regions, but with less momentum than in the previous year. In the USA, production suffered from weak industrial activity and the strong dollar. In Europe and Germany, chemical production was stabilized by the export business due to the weak euro.

For 2017, the German Chemical Industry Association (VCI) expects an increase in global chemical production on a par with 2016. In China, the restructuring of the economy continues and growth rates for chemical production continue to fall accordingly. For the USA, the VCI anticipates a slight recovery in the sector. In Germany, the chemical experts expect production to increase at the level of the current year.

Constant global and regional demand for lubricants

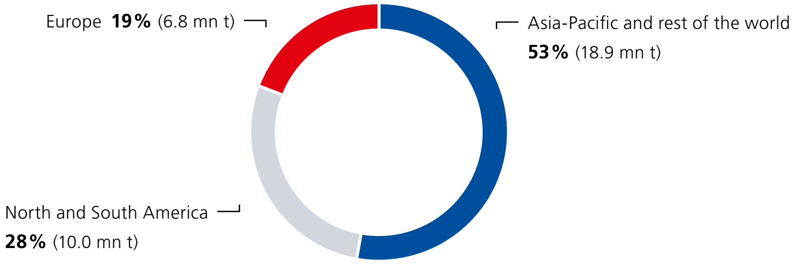
Development of lubricant demand

in %	Forecast 2016	Actual 2016	Forecast 2017
Europe	−1.0	−0.1	0.0
Asia-Pacific	0.5	0.2	0.3
North America	0.5	0.3	0.5
World	**0.2**	**0.1**	**0.3**

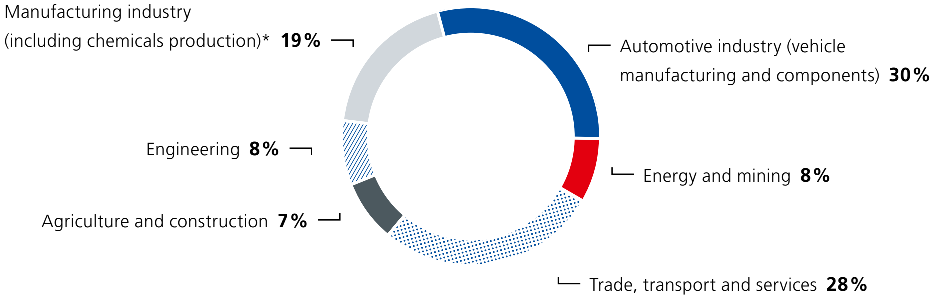
Source: Own market analyses

Based on our market analyses, global lubricant demand – for which only volume figures are available – stagnated at the previous year's volume in 2016 with 35.7 million tons. While demand in both the Middle East and Africa increased by nearly 1%, the consumption volume in Eastern Europe and South America declined by nearly 1%. In Western Europe, Asia-Pacific and North America, lubricant demand rose only minimally (<0.5% in all cases). In Germany, the lubricant market declined slightly in 2016.

Regional breakdown of the global lubricant market



Breakdown of Group sales revenues by customer sector 2016



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

2.3 Business development in 2016 – forecast comparison

FUCHS PETROLUB again managed successfully in 2016. All significant targets were achieved or exceeded, despite headwind due to currency effects.

Our most important performance indicators are detailed below:

- Sales revenue rose by €188 million or 9.0% to €2,267 million.
- EBIT increased by 8.3% to €371 million.
- FVA expanded by 4.5% to €257 million.
- Free cash flow before acquisitions was €205 million (232).

Forecasts from the start of the year were regularly reviewed over the course of the year and amended where necessary. The very strong business development at the end of the year, particularly in China and Germany, was a positive surprise. Other countries also showed pleasing increases in sales volumes and sales revenue and the accompanying good earnings, resulting in the forecasted values for a variety of performance indicators being exceeded.

The organic growth in business forecast was based on an expected volume increase across all regions. This expectation was realized for the Group as a whole, as well as in the Europe and Asia-Pacific, Africa regions. Only the North and South America region did not achieve the previous year's value. This was caused by weak demand in the USA and Canada.

As forecasted, the increase in external growth happened primarily in Europe. In addition, we closed two smaller acquisition projects in the USA in 2016.

Growth in sales revenue was mitigated as a result of exchange rate effects. In the absence of reliable data, we do not provide a forecast of the currency effect.

The strikingly good development of sales revenue at the end of the year also had a significant and positive impact on EBIT, resulting in the forecast being exceeded.

In our forecast for the regions, we had expected above-average EBIT growth in Europe, which was confirmed at 20.5%. The below-average growth forecasted for both the other regions occurred in the Asia-Pacific, Africa region (+4.3%). We did not anticipate the 4.0% decline in North and South America caused by economic influences.

As a result of considerably stronger earnings growth, we also surpassed our forecast for the FVA. EBIT increased by 8.3% and capital employed rose by 18.1% as planned. Therefore, FVA increased by 4.5% while the WACC remained unchanged (10%).

Comparison actual – forecasted business development

Performance indicator	Forecast 2016	Actual 2016	Evaluation
Sales revenues			
Organic growth	Low single-digit percentage	3.3%	Forecast met
External growth	High single-digit percentage	8.6%	Forecast met
Organic + external growth	7% to 11%	11.9%	Forecast exceeded
EBIT	3% to 7%	8.3%	Forecast exceeded
	As at November 3, 2016: In the range of 4% to 6%	8.3%	Forecast exceeded
FVA	Increase in the low single-digit percentage range	4.5%	Forecast exceeded
	As at November 3, 2016: Slightly above the previous year	4.5%	Forecast exceeded
Free cash flow before acquisitions	€170 million to €200 million	€205 million	Forecast exceeded

2.4 Group performance and results

Sales revenues (performance)

Regional development of sales revenues by company location

in € million	2016	2015	Organic growth	External growth	Exchange rate effects	Total change absolute	Total change in %
Europe	1,417	1,227	43	171	–24	190	15.5
Asia-Pacific, Africa	620	583	54	12	–29	37	6.3
North and South America	349	353	–6	9	–7	–4	–1.2
Consolidation	–119	–84	–22	–13	–	–35	–
Total	**2,267**	**2,079**	**69**	**179**	**–60**	**188**	**9.0**

Sales revenue grows organically and driven by acquisitions

In 2016, FUCHS PETROLUB revenues increased by 9.0% or €188 million to €2,267 million (2,079). Growth in the first half of the year was in particular due to company acquisitions made in 2015. In the second half of the year, the Group grew mainly organically. Weaker conversion rates, including for example the British pound, Chinese renminbi and South African rand, reduced the realized growth in sales revenues.

Growth factors

	in € million	in %
Organic growth	69	3.3
External growth	179	8.6
Effects of currency translation	–60	–2.9
Growth in sales revenue	**188**	**9.0**

Strong growth in Europe and Asia-Pacific, Africa

With its two larger acquisitions made in Europe in the previous year, FUCHS considerably strengthened its business, particularly in Germany, Scandinavia, the Baltic countries, Poland and Russia. The resulting growth in sales revenue impacted for the most part only in 2016. In addition, sales revenues in Europe grew organically in almost all countries, but the most in Germany.

The Asia-Pacific, Africa region also posted significant organic growth. The core areas were China and South Africa. At the same time, these were the markets with high negative translation effects. For this reason, the organically realized increase was largely eroded as a result of foreign exchange effects.

The North and South America region was down on the previous year. Organic growth in South America and Mexico did not completely offset the declines in the USA and Canada. The South American currencies were also lower than in the previous year.

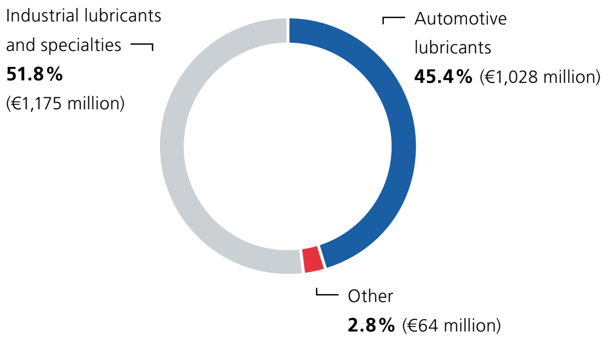
Driven by the mixed growth patterns, there was a shift in the regional weightings. At €1,417 million, the companies in Europe generated 59% (57) of the total revenues in the three regions. The share of the Asia-Pacific, Africa region with revenues of €620 million contributed 26% (27) to Group sales revenues. The North and South America region produced sales revenues of €349 million, a share of 15% (16).

Group sales revenues by customer location

in € million	2016	Share in %	2015	Share in %	Change	in %
Europe	1,213	54	1,064	51	149	14
Asia-Pacific, Africa	683	30	651	31	32	5
North and South America	371	16	364	18	7	2
Total	**2,267**	**100**	**2,079**	**100**	**188**	**9**

The two largest European acquisitions made in 2015 also impacted the breakdown of sales revenue by customer. The share of customers located in Europe rose by three percentage points from 51% to 54%, 38% (40) of which is located in Germany.

Breakdown of group sales revenues by product groups



Results of operations

Group results of operation

in € million	2016	in %	2015	in %	Change
Sales revenues	2,267	100.0	2,079	100.0	188
Production costs	– 1,416	– 62.5	– 1,288	– 61.9	– 128
Gross profit	851	37.5	791	38.1	60
Other function costs	– 499	– 22.0	– 467	– 22.5	– 32
EBIT before income from companies consolidated at equity	352	15.5	324	15.6	28
Income from companies consolidated at equity	19	0.8	18	0.9	1
EBIT	371	16.4	342	16.5	29
Financial result	– 2	– 0.1	– 4	– 0.2	2
Income taxes	– 109	– 4.8	– 102	– 4.9	– 7
Earnings after taxes	**260**	**11.5**	**236**	**11.4**	**24**

In 2016, the FUCHS Group again significantly improved its earnings. EBIT moved up by 8.3% or €29 million to €371 million (342) and at €260 million, the earnings after tax were up year on year from €236 million by 10.0% or €24 million.

Gross profit increased by 7.5% or €60 million to €851 million (791). With production costs moving up by 10%, more strongly than sales revenues, the gross margin therefore declined to 37.5% (38.1).

This was offset by other function costs increasing by 6.7% or €32 million, less strongly than sales revenues. In the reporting year, they made up €499 million (467) or 22.0% (22.5) of sales revenues. The absolute upturn was partly impacted by acquisitions, also because amortization of purchased intangible assets of €9 million is included. Furthermore, higher depreciation and amortization costs associated with the commissioning of new facilities and plants had an impact, in addition to the usual inflation-based wage and salary adjustments. A positive effect of € 6 million impacting the result came from the omission of one-off expenses associated with integration of the acquisitions in 2015.

EBIT before income from companies consolidated at equity is determined as the balance of gross profit and other function costs. At €352 million (324), the previous year's value was exceeded by €28 million or 8.6% and the margin of EBIT before income from companies consolidated at equity relative to sales revenues remained at the previous year's level of 15.5% (15.6).

The companies consolidated at equity, particularly in Saudi Arabia and Turkey, contributed €19 million (18) to Group profit meaning that Group EBIT climbed to a new high of €371 million (342). This represents an increase of €29 million or 8.3%.

With a decline in financing expenses and a lower tax rate, earnings after tax rose by €24 million or 10.0%. The rate of taxation (income taxes relative to earnings before tax, excluding income from companies consolidated at equity) fell to 31.0% (31.9). Group income tax expenditure increased merely by 6.1% or €7 million to €109 million (102).

At €260 million (236), the earnings after tax represent a net profit margin of 11.5% (11.4). Earnings per ordinary and preference share increased by €0.17 or 10% to €1.86 (1.69) and €1.87 (1.70).

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

Europe

Segment information Europe[1]

in € million	2016	2015
Sales revenues by company location	1,417	1,227
Organic growth	43 (3.5%)	16 (1.5%)
External growth	171 (14.0%)	100 (9.0%)
Currency effects	−24 (−2.0%)	−2 (−0.2%)
EBIT before income from companies consolidated at equity	194	160
Income from companies consolidated at equity	2	2
Segment earnings (EBIT)	196	162
Capital expenditures	50	30
Acquisitions	0	189
Employees as at December 31	3,149	3,112

[1] For further information, refer to the consolidated financial statements: "Segments".

Increased market penetration in Europe

Almost all companies in Europe succeeded in organically increasing both their sales volumes and sales revenues. Organic growth in the Germany, Central and Eastern Europe was above average. One of the few exceptions in the positive business development was the business in the UK, which also suffered from the consequences of the Brexit decision.

Business in Europe was significantly strengthened by both of the previous year's acquisitions, which have been successfully integrated. The resulting growth in sales revenue impacted for the most part only in 2016. Thus, in Germany, Scandinavia, the Baltic countries, Poland and Russia, good double-digit growth in sales revenue was also achieved. And we now have a substantial market position in Scandinavia, as we already have in the rest of Europe.

Segment earnings (EBIT) rose by 21% to €196 million (162). While the previous year was burdened by integration costs, the new companies delivered profit contribution for the first time during the entire reporting year. Furthermore, most companies – whether in Western, Southern or Central Europe – gained good increases in EBIT. In the UK, the decline in sales revenue and the weaker British pound had a negative effect on EBIT. The margin of EBIT before income from companies consolidated at equity relative to sales revenues rose to 13.7% (13.1).

Investments in the region of €50 million were attributable largely to production, tank, storage and testing facilities, as well as a plot for a new plant in Sweden, following the acquisition of STATOIL FUEL & RETAIL LUBRICANTS and an office building in England. Alongside replacement investments, capacity was extended, primarily in Germany.

Asia-Pacific, Africa

Segment information Asia-Pacific, Africa[1]

in € million	2016	2015
Sales revenues by company location	620	583
Organic growth	54 (9.2%)	2 (0.5%)
External growth	12 (2.0%)	11 (2.2%)
Currency effects	−29 (−4.9%)	53 (10.2%)
EBIT before income from companies consolidated at equity	110	106
Income from companies consolidated at equity	17	16
Segment earnings (EBIT)	127	122
Capital expenditures	18	8
Acquisitions	0	0
Employees as at December 31	1,040	1,029

[1] For further information, refer to the consolidated financial statements: "Segments".

Asia-Pacific, Africa region remains on expansion course

The intensive market cultivation in the Asia-Pacific, Africa region was intensified in the reporting year. As in 2015, the companies in China, India, Australia and South Africa achieved considerable increases in sales volumes. Organic growth in China was backed by external growth from the PENTOSIN acquisition. The accompanying growth in sales revenues was almost halved on translation into Group currency due to the weakness of the respective national currency. Altogether, the region grew by €37 million or 6.3%.

EBIT growth in the region of €5 million to €127 million (122) was generated largely in China. However, India, South Africa and Indonesia also strongly boosted their EBIT. At the same time, Australia's decline in gross margin, caused by a shift in mix, impacted earnings negatively. When translating into euro, EBIT and revenues were both negatively influenced by exchange rates.

The EBIT margin before income from companies consolidated at equity relative to sales revenues amounted to 17.8% (18.2).

Among companies consolidated at equity, it was particularly at our Turkish company that the profit contribution increased pleasingly, despite the weak Turkish lira. The contribution of all companies consolidated at equity in the region was €17 million (16).

The large part of investments in property, plant and equipment within the region related to the construction of the new plant in Newcastle, Australia. The new construction will be completed in 2017.

North and South America

Segment information North and South America[1]

in € million	2016	2015
Sales revenues by company location	349	353
Organic growth	–6 (–1.8%)	–13 (–4.1%)
External growth	9 (2.6%)	4 (1.4%)
Currency effects	–7 (–2.0%)	45 (14.3%)
EBIT before income from companies consolidated at equity	62	65
Income from companies consolidated at equity	–	–
Segment earnings (EBIT)	62	65
Capital expenditures	24	11
Acquisitions	43	0
Employees as at December 31	606	588

[1] For further information, refer to the consolidated financial statements: "Segments".

Difficult year in North America

As in the previous year, North America achieved good sales revenues in the OEM business. On the other hand, demand in the USA and Canada again did not meet expectations in important sectors such as the steel industry. However, the turnaround during 2016 is encouraging. This had already occurred in Argentina and Brazil several months earlier. As a result, double-digit organic growth was achieved in South America. However, overall North and South America recorded negative organic growth. Sales converted in the Group currency was negatively impacted by the weak South American currencies. The region had external growth in Brazil due to the PENTOSIN acquisition in 2015 and in the USA through the acquisition of two smaller specialty businesses. FUCHS acquired Chevron's global business with white oils and lubricants for the food industry and ULTRACHEM INC., which sells specialty industrial lubricant, for example, for compressors.

The decline in segment earnings is a result of the weak development of sales revenues in North America. Increased costs caused by inflation and investments were not compensated by the planned increases in gross profit. On the other hand, the companies in South America have significantly improved their profitability.

The EBIT margin before income from companies consolidated at equity relative to sales revenues amounted to 17.9% (18.4).

More than 60% of the investments in non-current assets went into building a grease plant in Harvey, USA. After opening in the first half of 2017, it will be able to supply customers in the OEM sector with local products. Furthermore, extensive investments in modernization and expansion in Harvey were continued.

2.6 Net assets and financial position

Balance sheet structure

Financial position

	Dec 31 2016		Dec 31 2015		Change
	in € million	in %	in € million	in %	in € million
Goodwill	185	11	166	11	19
Other intangible assets	132	8	118	8	14
Property, plant and equipment	427	26	365	25	62
Other non-current assets	70	4	79	5	–9
Non-current assets	**814**	**49**	**728**	**49**	**86**
Inventories	325	19	297	20	28
Trade receivables	351	21	320	21	31
Cash and cash equivalents	159	9	119	8	40
Other current assets	27	2	26	2	1
Current assets	**862**	**51**	**762**	**51**	**100**
Total assets	**1,676**	**100**	**1,490**	**100**	**186**

Expansion of total assets due to growth

The increase in the total assets of the FUCHS Group by €186 million or 12.5% as at December 31, 2016 is business and acquisition driven, but also due to investments in property, plant and equipment higher than depreciation. In addition, cash and cash equivalents also significantly increased.

The structure of the assets side is largely the same as the previous year. Non-current and current assets make up approximately half of the total assets with 49% (49) or 51% (51).

→ # 54 Capital structure

Equity ratio stable at 72%

As in the previous year, the increase in the total assets of the FUCHS Group again had no impact on the equity ratio in 2016, which remained stable at 72%. Equity increased by €135 million to €1,205 million (1,070) as a result of earnings generated and retention of profits.

Most of the Group's pension commitments had already been fully funded several years ago. The remaining pension provisions amounted to €35 million (33) at the end of 2016 and related mainly to our companies in Germany and the UK. More than half of the deferred tax liabilities of €42 million (47) are due to acquisitions.

The increase of trade payables to €186 million (157) is the result of increased business volumes, as is the case with inventories and accounts receivables.

With financial liabilities totaling €13 million (18), the Group had a net liquidity of €146 million (101) at the end of the reporting period.

Rise in NOWC business-related

The business model of the FUCHS PETROLUB Group results in high inventories. Together with trade receivables, these current assets represent 40% (41) of total assets. Trade payables make up 11% (11) of total equity and liabilities.

The FVA concept therefore focuses on NOWC, calculated as the balance of inventories plus trade receivables minus trade payables.

As at December 31, 2016, NOWC increased to €490 million (460). As a ratio of annualized sales revenues of the fourth quarter, this corresponds to 21.8% (21.3). Because of the good business development over the last weeks of the reporting year, the average capital tie-up period increased by one day to 79 days (78).

Capital structure

	Dec 31 2016		Dec 31 2015		Change
	in € million	in %	in € million	in %	in € million
Shareholders' equity	**1,205**	**72**	**1,070**	**72**	**135**
Pension provisions	35	2	33	2	2
Deferred taxes	42	3	47	3	–5
Other non-current liabilities	7	0	7	1	0
Non-current liabilities	**84**	**5**	**87**	**6**	**–3**
Trade payables	186	11	157	11	29
Provisions	43	2	37	2	6
Financial liabilities	13	1	18	1	–5
Other current liabilities	145	9	121	8	24
Current liabilities	**387**	**23**	**333**	**22**	**54**
Total equity and liabilities	**1,676**	**100**	**1,490**	**100**	**186**

Use of capital employed*

in € million	2016	2015	Change absolute	Change in %
Property, plant and equipment*	384	335	49	15
Intangible assets*	294	179	115	64
Net operating working capital (NOWC)*	488	435	53	12
	1,166	**949**	**217**	**23**
Other items*	–32	11	–	–
Capital employed*	**1,134**	**960**	**174**	**18**

* 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 clearly the material influence of these three figures on FVA. Altogether, average capital employed increased by 18% in 2016. Because average figures are based on five quarterly values, in 2016, the acquisitions in the third and fourth quarters of 2015 caused a knock-on effect, made clear by the 64% increase in intangible assets. This is seen in the additions to goodwill, customer relationships and technology resulting from the acquisitions.

Capital expenditures and acquisitions

Capital expenditures

At €93 million (50), capital expenditure reached a new record in 2016. Key areas were the expansion and modernization of existing plants but also investments in new plants in Australia, China and Sweden. The invested amount was largely in line with the forecasted level at the beginning of the year.

With approximately €15 million, the largest individual investment in the reporting year was the grease plant in Harvey, USA. Opening is planned for the first half of 2017. The objective is to provide customers in the OEM sector with local products and to secure high availability on a global scale.

After the purchase of land in Newcastle, Australia in the previous year, a new facility was built in 2016. Approximately €12 million was invested in the reporting year. Completing and commissioning it, as well as moving from the old location in the city center will follow in 2017.

In Germany, the expansion of our Kaiserslautern location began in 2016 where specialty lubricants for diverse applications are produced. The growth and concentration of diverse activities at this location made the expansion an urgent requirement. At the Mannheim location, the construction of the new test facility was continued and diverse investments in expansion, plant replacement and renovation were made.

Furthermore, important and substantial investments were made in South Africa (grease plant), the UK (office building) and Sweden (land for facilities). There and at other locations the objective was to keep our equipment facilities technically up-to-date and to provide additional capacity for a faster and better supply for our customers.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets increased to €47 million (39). This also includes amortization of purchased intangible assets of €9 million (3) as a result of our acquisitions in 2015 and 2016.

Acquisitions

FUCHS spent €46 million on acquisitions in the reporting year.

As of June 1, FUCHS LUBRICANTS CO. USA took over Chevron's global business of white oils and specialty lubricants for the food industry. The business division generated sales revenues of €11 million in 2015.

The acquisition of Delaware-based (USA) ULTRACHEM INC, was closed on December 1. The company sells industrial lubricants, for example, for compressors and generated sales revenues of €15 million in 2015/2016 financial year.

Statement of cash flows

Statement of cash flows

in € million	2016	2015
Earnings after taxes	260	236
Depreciation and amortization	47	39
Change of NOWC	–22	–1
Other changes	13	8
Investments in non-current assets	–93	–50
Free cash flow before acquisitions	**205**	**232**
Acquisitions	–41	–170
Free cash flow	**164**	**62**

In the reporting year, cash flow from operating activities increased to €300 million (281), as a result of higher earnings after tax adjusted for depreciation and amortization. On the other hand, more funds were tied up in NOWC. As a result of the strong operating activities in the fourth quarter, NOWC increased in both absolute and relative terms.

Investments in non-current assets rose to €93 million (50) as planned with the result that free cash flow before acquisitions was below the previous year at €205 million (232).

Taking acquisitions into account, cash outflow from the total investing activities was €136 million (219).

The free cash flow of €164 million (62), was used primarily to pay dividends to shareholders and minority shareholders (€114 million (107)). The increase in cash and cash equivalents amounted to €40 million.

Liquidity situation, financing structure, and dividend policy

Liquidity development and financing strategy

The Group's cash and cash equivalents increased to €159 million (119) in the reporting year. 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 completion of potential acquisition opportunities.

In addition, the Group has access to free lines of credit of €186 million (175) at banks alongside the option to raise additional funds on the capital market.

2.7 Overall position and performance indicators

The Executive Board is convinced that the FUCHS PETROLUB 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):
→ 40 Controlling system

FVA = EBIT – capital employed x weighted average cost of capital (WACC)

WACC 2016
Basic data[1]:

- Shareholders' equity costs[2] = 7.6 % (7.8) after and 11.1 % (11.3) before taxes
- Borrowing costs[3] = 1.4 % (1.7) after and 2.0 % (2.5) before taxes
- Financing structure[4] = 85 % (85) shareholders' equity and 15 % (15) borrowed capital
- Typical Group rate of taxation = 31 % (31)

[1] Empirical financial market data as of December 31, 2016.
[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.

Increase in earnings in 2016 goes hand-in-hand with higher FVA

in € million	2016	2015	Change absolute	Change relative in %
EBIT	371	342	29	8
Capital employed				
Equity*	1,117	995	122	12
+ Financial liabilities*	19	23	– 4	– 17
+ Net pension provisions*	35	37	– 2	– 5
+ Amortized goodwill*	85	85	–	–
– Cash and cash equivalents*	122	180	–58	32
Total capital employed	1,134	960	174	18
Pre-tax WACC (in %)	10.0	10.0	–	–
Capital costs	114	96	18	18
FVA	**257**	**246**	**11**	**5**

* Average figures, each based on five quarterly values.

Five-year report of FVA and its components

in € million	2016	2015	2014	2013	2012
EBIT	371	342	313	312	293
Average capital employed	1,134	960	833	786	737
Capital costs	114	96	83	90	85
WACC (in %)	10.0	10.0	10.0	11.5	11.5
FVA	257	246	230	222	208

From the basis data at December 31, 2016, there is a WACC of 9.7% (10.0) before taxes and 6.7% (6.9) after taxes. This has only slightly decreased year on year. Therefore, the WACC remains unchanged for 2016 at 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) in the value determination process.

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 2016, FUCHS Group generated free cash flow before acquisitions of €205 million (232). From this €41 million was used for two acquisitions in North America (170 in Europe in the previous year) as well as dividend distributions for the previous year of €114 million (107). Furthermore, financial liabilities of €7 million were settled. Cash and cash equivalents rose by €40 million to €159 million (119).

Therefore, the Group had a very good liquidity over 2016 as a whole.

The overview below shows the development of free cash flow before and after acquisitions. The dividends for FUCHS PETROLUB SE shareholders have been increased each year.

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). The focus in the reporting year was on external growth. 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 2016, the Group increased its EBIT by 8.3%. Further information on this can be found in the sections on sales revenues and earnings position of the Group and the regions.

Five-year summary of free cash flow and dividends (total dividend payout)

in € million	2016	2015	2014	2013	2012
Free cash flow before acquisitions	205	232	210	150	141
Acquisitions	–41	–170	–22	–	–1
Free cash flow	164	62	188	150	140
Dividend distribution (for the previous year)	114	107	97	92	70
Share buyback	–	–	76	22	–

2.8 Opportunity and risk report

Opportunities

Events that could lead to positive deviations from targets.

Risks

Events that could lead to negative deviations from targets.

Our opportunity and risk policy focuses primarily on securing the continued existence and increasing the company value of the FUCHS Group. Our corporate objective lies in the early identification and utilization of opportunities, as well as in the detection of risks at an early stage, their appropriate assessment and the taking of appropriate measures in response.

The Executive Board at FUCHS PETROLUB SE sets out the risk policy guidelines and endeavors to safeguard a balance between opportunities and risks on the basis of the business model. Responsible consideration of opportunities and risks is an integral part of all business decisions and is thus an integral element of day-to-day business management activities in all operating units. Our system of opportunity and risk management is structured according to strategic and planning processes which are based on regular opportunity and risk audits. The Executive Board, the Group Management Committee (GMC) and the management at the local business units all work together closely to identify, assess and control operating and strategic opportunities and risks.

The Executive Board, the Group Management Committee (GMC) and the management at the local business units are supported in this endeavor by the Compliance Organization, Group Audit and the central departments of FUCHS PETROLUB SE. These central departments include Finance, Controlling, Legal, Taxes, Purchasing, Human Resources and IT.

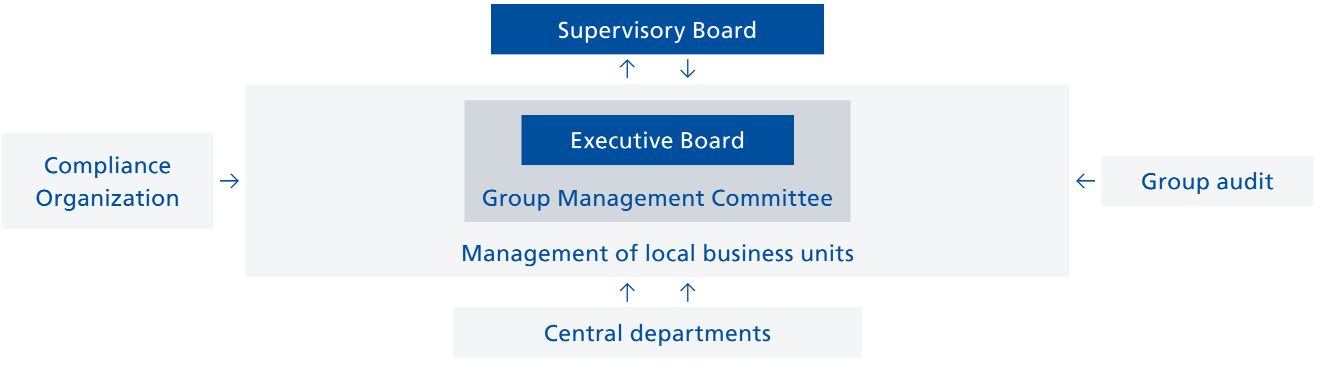
→ ◎ Organization of opportunity and risk management in the FUCHS Group

The opportunity and risk situation of the Group is constantly monitored by the Executive Board and GMC. We employ countermeasures in our endeavor to avoid or reduce risks. Insofar as this is possible and economically reasonable, we transfer risks to third parties, for example by concluding insurance contracts.

The Executive Board reports to the Supervisory Board about the results of the opportunity and risk management process regularly and on an ad hoc basis. The Supervisory Board is concerned with the efficacy of the risk management system in connection with its monitoring of the Executive Board.

The suitability of the established early risk detection system is covered by the audit of the annual and consolidated financial statements by the statutory auditor.

Organization of opportunity and risk management in the FUCHS Group



Opportunity report

The Group's opportunity management system

Within a dynamic market environment, the FUCHS Group's global business operations continuously present new opportunities, whose systematic detection and utilization are key components of our sustainable corporate strategy. The Group employs planning, governance, and reporting processes to ensure early detection of opportunities. On the basis of economic analyses by recognized institutes, market information, and the information from our own monitoring systems, we endeavor to leverage the opportunities presented by the latest developments in a prompt and appropriate manner.

Opportunities are identified within the scope of annual business planning and target agreement. The measures for utilizing opportunities are coordinated between the Executive Board respectively GMC and the management at the subsidiaries. The global information is regularly compressed within the scope of budgeting and general projections. Potential opportunities not taken into account as part of budgeting and projection are reported to Central Opportunity and Risk Management at company level.

Macroeconomic opportunities

The global presence of the FUCHS Group in all industrial markets of established and emerging economies allows us to participate in growth impulses. Our goal is to participate in dynamic developments, acquire new customers, and win additional orders. Based on the business model, diverse opportunities arise across the various 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 important business segments, our pronounced quality consciousness and especially our qualified employees represent important pillars for our corporate success. These strengths, in combination with the proven business model and early detection of future requirements regarding products and environmental protection, legal and regulatory rules, support the further expansion of our position in the global lubricant markets and the development of optimum lubricant solutions for our customers. We are keen to achieve further organic growth and, if possible, also through acquisitions.

Sector-specific and market-specific 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 resulting from our mission statement are operatively implemented at the subsidiaries 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 customers. We underline our technological leadership in important business areas by making targeted investments in research and development for high-grade lubricants. We develop custom product solutions that offer our customers sustainable benefits. Our innovations make an important contribution to supporting profitable organic growth and further strengthening both our added value and competitive position.

Opportunities from employee development and sustainability activities

We also see opportunities above all in promoting the expertise and capacities of our employees and managers and making use of these for further developing the business. The same applies to 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.

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.

In this endeavor, we pursue comprehensible and transparent presentation of the risks associated with all business activities and procedures via a structured process that identifies, assesses and then formulates countermeasures, as well as providing regular reporting and tracking.

The RMS is set out in a directive that is binding throughout the Group. Budgets and forecasts, as well as associated risk inventories performed by the management of the operating units every six months and by the central units once a year in a structured process, form the basis of global risk control in the Group. Risk reporting covers risks that were not already taken into account within the scope of preparing budgets and projects.

The risk management process is supported by an IT solution. The completeness of the risk reports can be assessed and secured using a risk catalog. When assessing risks, their respective likelihood of occurrence and the associated potential extent of loss are taken into account. The deviation from the budgeted earnings after tax represents the extent of loss. A distinction is made between gross losses before and net losses after risk mitigation measures. Risk mitigation measures are defined, implemented and assessed locally to determine their effectiveness. Validation of the reports is performed by the regional management and the central Opportunity and Risk Management.

The individual risks reported by the Group companies and special departments are bundled at Group level to create aggregated risks. The aggregated risks are classified on the basis of their likelihood 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.

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

The information is prepared by the central Opportunity and Risk Management. The results of the entire process are presented twice per year to the Executive Board and at least once a year to the Supervisory Board. Sudden or unexpected risks with significant effects are reported to the Executive Board and Supervisory Board on an ad-hoc basis.

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 presented above, the FUCHS Group is currently not subjected to any aggregated risks rated as significant.

Risk matrix

Extent of net loss	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

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

The Internal Control System (ICS) of FUCHS PETROLUB SE is used to secure the effectiveness and profitability of business operations, to guarantee true and proper accounting treatment and to ensure compliance with the key legal and internal regulations for 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 reports and audit reports. In addition to these, stipulations are in place at the level of the individual companies that fix the dual-control principle, 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, the International Financial Reporting Standards (IFRS) and internal Group guidelines. All companies included in the scope of consolidation report to the parent company in a standard form. In addition to this, consolidation is performed based on uniform principles throughout the Group.

The decentralized organization of the Group accounting process starts in the Group's subsidiaries and encompasses reporting with comprehensive monthly key figures, as well as detailed quarterly interim and annual financial statements. These are regularly checked for feasibility and inspected within the Group to ensure completeness and accuracy. The technical handling of the reporting processes is performed via a Group-wide standardized reporting application.

Effectiveness and security

The Group accounting requirements are described in an Accounting Manual, which is updated annually. Any amendments to existing accounting regulations with effects on 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 careful selection, initial training and continuous further training of the involved employees. The largely standardized IT systems and corresponding security concepts provide the EDP systems employed in the field of accounting with the best possible protection from 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. In addition to this, the internal controls that are relevant for financial reporting are also checked for appropriateness and effectiveness by the statutory auditor within the scope of a risk-oriented audit approach.

The diverse activities performed within the scope of the internal control and risk management systems (particularly with regard to the Group accounting methodology) at FUCHS PETROLUB SE are specifically designed to detect potential risks and undesirable developments as early as possible. However, even our systems cannot provide absolute security against potential mistakes. Within the scope of the annual audit, the statutory auditor confirmed that the Executive Board has suitably implemented the measures required pursuant to Section 91 (2) of the German Stock Corporation Act (AktG), in particular to establish a monitoring system, and that the monitoring system applied is suitable for early detection of developments that threaten the company's existence.

Individual risks

On the basis of the risk classification presented above, the FUCHS Group is currently not subjected to any aggregated risks rated as significant. Also the aggregation across all risks is not significant from the Group's perspective. Yet despite this, the risks which need to be constantly monitored due to their importance for the Group and its subsidiaries are presented in the following.

Macroeconomic risks

It is impossible to completely avert risks that occur due to economic cycles. Any worsening of economic framework conditions in the sales regions can potentially impact the sales revenue and earnings position of the FUCHS Group. Geopolitical and economic crises can have effects on regional markets. The economic and political situation in the Middle East, Russia, and the Ukraine, but also the potential realignment of entire national econo mies such as may be the case in the UK or the USA, represent risks for the macroeconomic development and the development of the FUCHS companies affected by this.

Consistent alignment of business activities with the large economic areas of Europe, North and South America, Asia-Pacific, and Africa limits dependency in individual customer countries and serves to spread the risks. The diversified product, regional and customer portfolio also allows temporary economic fluctuations, for example caused by more favorable developments in other regions, markets or customer sectors, to be at least partially compensated for.

Company-specific risks

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

Company-specific risks

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

Strategic risks

Investment and acquisition risks

Investment and acquisition projects are associated with complex risks. For example, unforeseeable changes to economic or legal framework conditions can potentially lead to higher investment and acquisition costs. The processes involved when setting up an investment or integrating companies which have been acquired can be delayed. Investment decisions are therefore subject to careful examination in a multi-stage process and, if a predefined value limit is exceeded, the matter is presented to the Executive Board for a final decision. Investment and acquisition projects are implemented on the basis of defined processes and procedures.

Risks from research and development

The opportunities of a major capacity for innovation and the high degree of specialization also lead to risks of high complexity and limited predictability of research and development projects. To govern 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 which enable company-specific expertise to become generally available represent potential risks for technological 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. We therefore aim to recruit highly qualified technical and managerial staff and to retain them in our company long term. Failure to do so could result in risks for the company. We use various HR marketing initiatives to convince our target groups of the advantages of the FUCHS Group. A standardized application process ensures the selection of the most suitable candidates. In order to retain high performers and talents, we have implemented a manager development program and offer interested employees opportunities for structured education and training. The leadership principles in the FUCHS Group further increase the attractiveness of FUCHS as an employer.

Operational risks

Sectoral and competitive risks

Our observations are focused on the intense competition on sales markets, increasing customer quality standards and technological progress. Further risks can occur due to the dependence on individual customers and industries. If a customer's demand for products declines, this could lead to reduced purchases of FUCHS products and an increase in price sensitivity. Although the Group's business operations already cover a variety of different industries, we are anxious to further diversify these operations through 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. We endeavor to offer the 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 this entails. In terms of organization, central departments and the various departments at our foreign subsidiaries monitor the procurement markets within the Group to detect any unfavorable developments early on and ensure rapid reactions. 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 oil and do not reach FUCHS until they have undergone numerous stages of refinement, i.e. following significant added value activities. Changes in crude oil prices also have an impact on the procurement prices of several raw materials, although not directly and not to the same extent.

IT risks

With the organizational and technical networking of locations and systems, the complexity of our IT systems is increasing. The risk of data loss/theft and the risk of operational disruptions are increasing. We are addressing the risks by implementing a global IT strategy, collaborating with established IT service providers, using sound backup and recovery procedures, and protecting against unwanted access to our systems. Employees are kept up-to-date with current practices, developments, and technologies through training events and guidelines.

Legal and compliance risks

We aim to keep and control legal risks at the lowest possible level. 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 and environmental protection. Unlawful behavior harbors the risk of damaging the company's image, weakening our market position and even causing us economic harm. To ensure lawful, social and ethical behavior, the Executive Board at FUCHS PETROLUB SE implemented a Compliance Management System (CMS). The prevention and detection of infringements, as well as the reaction to these infringements represent key components of the CMS. We do not tolerate any violations against legal provisions, against the FUCHS Code of Conduct, against the five central values or against other internal directives.

The CMS is presented in more detail in the Declaration of Corporate Governance, which is part of the Corporate Governance Report.

Regulatory risks

We address regulatory risks with the expertise of dedicated specialists, as well as appropriate legal and insurance advice.

The European chemicals regulation REACH (Registration, Evaluation, and Authorization of Chemicals) 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 not endeavor to register certain raw materials that we use and will no longer sell these raw materials or will not register them in time. We are addressing this risk by working towards timely registration by our suppliers or developing alternative solutions in dialog with our suppliers.

In addition to the European chemicals 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 (Globally Harmonized System), the United Nations is seeking to introduce a uniform worldwide system for the classification and labeling of chemicals. The introduction of GHS requires the toxicity properties of materials and formulations to be re-evaluated. The labeling obligation may mean that products from the FUCHS product range can no longer be sold without restriction. By creating appropriate organizational structures, we are supporting the introduction of GHS worldwide. 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 includes potential product and environmental risks, which can present themselves in the form of malfunctions with direct effects on persons, the environment and production processes. We therefore work to high technical (safety) standards when building, running, and maintaining production equipment. The use of raw materials and our product manufacturing process are both subject to consistent worldwide monitoring of quality requirements and standards. We also employ 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, as well as risks posed by potential interruptions in business. We also address the effects of unplanned disruptions to operations through inventory buffers, as well as use of 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. Due to the structure of the lubricants business, which does not involve long run-up periods or a high level of orders on hand, no long-term hedging of currency positions is performed in the operating business. Exchange rate risks resulting from the issue of Group-internal foreign currency loans, on the other hand, are generally hedged.

The translation risk is due to currency conversion of statements of financial position and income statements into euros. As the FUCHS Group includes many Group companies which are not based in the eurozone, exchange rate fluctuations can influence the Group's profit. Transaction and translation risks therefore have a counteracting and thus compensatory effect at Group level.

Credit risk

The value of receivables can be 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 defaults. These include regular credit assessments and the review of granted credit limits. Depending on the nature of the business relationship, additional security such as credit insurance, advance payments, documentary credits and sureties may be required for business transactions.

Other non-quantifiable opportunities and risks

The digitalization and networking of the industry may 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 e-mobility will reduce demand for FUCHS products in conventional drivetrains. At the same time, demand will increase for lubricants used in electrical drive systems. For FUCHS, the topics of digitalization and e-mobility entail both opportunities and risks. 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 represents a consolidated assessment of all significant opportunities in the forecast period. There were no changes relative to the previous year. The way in which risks are presented throughout the Group represents a consolidated assessment of all risks derived from the budget reports and risk reports submitted both by the subsidiaries and central functions which are applicable to the forecast period. The overall risk profile of the FUCHS Group has not changed relative to the previous year.

From the Executive Board's current perspective, however, there are no discernible risks that jeopardize the company as a going concern. We consider it highly improbable that all the individual risks would occur at the same time.

2.9 Forecast report

Group alignment and economic framework

The FUCHS Group operates across a wide range of regions, across many industries 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

In January 2017, the International Monetary Fund (IMF) predicted growth in the global economy of around 3.4% for 2017. Based on current estimates the global economy grew by 3.1% in 2016. Set against this background, we therefore anticipate a continuation of the previous years development, i. e. stagnation or overall slight growth of up to 0.5% for the global lubricant market.

For the market development in our customer sectors and in the three global regions please refer to the section "Macroeconomic and sector-specific conditions".
→ 45 Macroeconomic and sector-specific conditions

Anticipated results of operations, net assets, and financial position

Based on the anticipated development in the global economy, the growth of the lubricant market and the broadly diversified Group structure, FUCHS PETROLUB is planning further organic sales revenues and earnings growth in 2017. 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 2016	Forecast 2017
Sales revenues	€2,267 million	+4% to +6%
EBIT	€371 million	+1% to +5%
FVA	€257 million	Increase in the low single-digit percentage range
Free cash flow before acquisitions	€205 million	Around €200 million

The anticipated business expansion is based largely on planned organic volume growth combined with changes in the price and product mix. We anticipate slight external growth from the two acquisitions made in 2016 in North America. It remains to be seen to what extent further acquisitions may be made over the course of 2017.

When translating the planned sales revenues into the Group currency, the euro, on the basis of the January 2017 exchange rates, there is a slightly positive translation effect against the previous year. 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.

Due to the anticipated increase in sales revenues, the Executive Board also expects further EBIT growth, even if investments made over the last years in recruiting new employees, in new and existing plants as well as intensified research and development activities are resulting in an increasing cost base exceeding inflation-based increases in personnel and other direct costs. Furthermore, EBIT can be influenced by anticipated increases in raw material prices and a time lag before they are passed on.

Should the global economy and global lubricant consumption record significantly stronger growth 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 the event of weaker growth.

All regions are planning organic growth in sales revenues. External growth as a result of the acquisitions made in 2016 impacts primarily North America. In terms of EBIT, we are expecting a more positive development in the Asia-Pacific, Africa and North and South America regions than in Europe, where the above-average strong earnings growth in 2016 cannot be continued. Capital employed will increase, primarily due to planned investments in property, plant and equipment, again of around €100 million. These investments relate primarily to plant expansion and modernization activities in the US, Germany, China, and Australia. Therefore, we are continuing with the investment program started last year, which should remain in place until 2018. Furthermore, net operating working capital (NOWC) is likely to continue to rise as a result of increased business volumes.

The anticipated growth in EBIT should exceed the rise in the costs of capital employed. As a result of this, we are anticipating a higher FVA in the low single-digit percentage range – subject to the weighted capital costs remaining unchanged.

Free cash flow before acquisitions comprises the financial resources available after financing the anticipated capital expenditures and net operating working capital. We are expecting free cash flow before acquisitions of around €200 million.

2.10 FUCHS PETROLUB SE (HGB)

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

The annual financial statements of FUCHS PETROLUB SE are drawn up in line with the regulations of the German Commercial Code (HGB) and German Stock Corporation Act (AktG). The company operates direct subsidiaries and associates and secures both the continued existence and further development of the Group with its employees. Beside business management duties, the development and transfer of technical expertise, 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 expertise 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 is around 7% below the previous year's level at €224 million (241). The decline is the consequence of lower income from investments, higher operating expenses, and higher income taxes. Nonetheless, the decline in earnings is not as considerable as we had forecasted, due to the fact that the dividend payouts by foreign Group companies and income from profit transfer agreements in Germany were higher than originally planned.

Results of operations FUCHS PETROLUB SE

in € million	2016	2015 *	Change
Sales revenues	33	32	1
Investment income	277	285	–8
Other operating income	8	5	3
Staff costs	–24	–21	–3
Depreciation and amortization	–1	–1	0
Other operating expenses	–26	–20	–6
Earnings before interest and taxes (EBIT)	**267**	**280**	**–13**
Financial result	2	0	2
Earnings before taxes	**269**	**280**	**–11**
Income taxes	–45	–39	–6
Earnings after tax	**224**	**241**	**–17**
Retained earnings brought forward from the previous year	18	10	8
Transfer to other retained earnings	–111	–120	9
Unappropriated profits	**131**	**131**	**–**

* The previous year figures were adjusted in line with the conversion to the nature of costs method and the first-time application of the German Accounting Directive Implementation Act (BilRuG).

The SE's sales revenues comprise licenses of €29 million (28) and cost allocations of €4 million (4). The income statement is predominated by income from investments. Profit distributions from foreign stock corporations were €144 million (186). Income of €129 million (103) was received from profit and loss transfer agreements in place with German subsidiaries.

The increase in other operating income to €8 million (5) is a result of the rise in goods and services purchased central via the SE, which are oncharged to the subsidiaries.

Staff costs increased by almost €3 million to €24 million (21). Approximately half of this was one-off expenses for pension obligations due to interest rates.

The €6 million increase in other operating expenses to €26 million (20) is based on the increase in services purchased and oncharged centrally, higher legal and consultancy costs, and increased research and development cost subsidies paid by the holding company to subsidiaries.

EBIT amounted to €267 million (280) and earnings before taxes was €269 million (280).

Tax expenses increased largely because of higher income from profit transfer agreements in Germany with the consequent increase in taxes for the tax consolidation group to €45 million (39). This results in earnings after tax of €224 million (241).

Unappropriated profit as at December 31, 2016, is €131 million (131). This includes the retained earnings brought forward from the previous year of €18 million (10). €111 million (120) is allocated 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 associates of €891 million (841) were recognized. These represent 94% (99) of assets. Beside this, cash and cash equivalents and current securities of €42 million (0) were held.

The €21 million increase in financial assets to €557 million (536) is based on capital contributions to a newly established company in China and also on capital increases totaling €17 million. In addition, write-ups on three (two) investments of €4 million (1) were made.

Of the receivables due from associates, 96% (97) or €319 million (297) were attributable to German companies. Of this, an unchanged level of 98% or €313 million (291) were attributable to FUCHS FINANZSERVICE, the Group's financing company.

Through further accumulation and repayment of financial liabilities, FUCHS PETROLUB SE's equity rose by €111 million to €924 million (813). The equity ratio moved up to 98% (95).

The provisions of €21 million (18) related particularly to taxes and profit-sharing schemes.

Net assets and financial position FUCHS PETROLUB SE

	Dec 31, 2016		Dec 31, 2015		Change
	in € million	in %	in € million	in %	in € million
Intangible assets and property, plant and equipment	9	1	9	1	0
Financial assets	557	59	536	63	21
Receivables due from affiliated companies	334	35	305	36	29
Cash and cash equivalents and current securities	42	4	0	0	42
Other assets	5	1	2	0	3
Total assets	**947**	**100**	**852**	**100**	**95**
Shareholders' equity	**924**	**98**	**813**	**95**	**111**
Provisions	21	2	18	2	3
Liabilities due to affiliated companies	0	0	20	3	–20
Other liabilities	2	0	1	0	1
Total assets	**947**	**100**	**852**	**100**	**95**

Forecast report

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

Planning for 2017 anticipates a slightly lower dividend payout by foreign Group companies than was the case in 2016. Therefore, we anticipate that earnings after tax will be slightly below the level recorded in 2016.

Unappropriated profit and dividend proposal

Based on the result according to the German Commercial Code, in which unappropriated profit of €131 million is disclosed, the Executive Board and Supervisory Board will submit a proposal to the Annual General Meeting that the dividends should be increased by €0.07 per share over the previous year

- to €0.88 (0.81) per ordinary share entitled to dividend
- to €0.89 (0.82) per preference share entitled to dividend.

According to this, dividend payments will amount to €123 million (113). The remaining portion of unappropriated profit is to be transferred to other retained earnings.

2.11 Legal disclosures

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 actions 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.

Declaration of Corporate Governance

The Declaration of Corporate Governance to be submitted pursuant to Section 289a of the German Commercial Code (HGB) can be found in the Corporate Governance Report and forms part of the combined management report. It is also available online at → www.fuchs.com/dcg.

Compensation report for members of the Executive Bodies

The FUCHS PETROLUB SE compensation report for members of the executive bodies can be found in the Corporate Governance Report and forms part of the combined management report.
→ **17** Corporate Governance Report

Disclosure required under takeover law

The relevant disclosures required pursuant to Sections 289 (4), 315 (4) of the German Commercial Code (HGB) form part of the combined management report.
→ **30** Disclosure required under takeover law

3

Financial Report

Earnings after taxes rise to € 260 million

+ 10 %
earnings per share

€ 205 million
free cash flow before acquisitions

3

Financial Report

* Part of the notes.

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Income statement

in € million	Notes	**2016**	2015
Sales revenues	(1)	2,267	2,079
Cost of sales	(2)	–1,416	–1,288
Gross profit		**851**	**791**
Selling and distribution expenses	(3)	–341	–311
Administrative expenses	(4)	–117	–105
Research and development expenses		–44	–39
Other operating income and expenses	(5)	3	–12
EBIT before income from companies consolidated at equity		**352**	**324**
Income from companies consolidated at equity	(6)	19	18
Earnings before interest and tax (EBIT)		**371**	**342**
Financial result	(7)	–2	–4
Earnings before tax (EBT)		**369**	**338**
Income taxes	(8)	–109	–102
Earnings after tax		**260**	**236**
Thereof			
Non-controlling interests	(9)	1	0
Profit attributable to shareholders of FUCHS PETROLUB SE		259	236
Earnings per share in €[1]	(10)		
Ordinary share		1.86	1.69
Preference share		1.87	1.70

[1] Basic and diluted in both cases.

Statement of comprehensive income

in € million	2016	2015
Earnings after tax	**260**	**236**
Income and expenses recognized in equity		
Amounts of other comprehensive income that may be reclassified to profit or loss in future periods		
Change in foreign currency translation adjustments		
Foreign subsidiaries	1	20
Shares in companies consolidated at equity	– 3	1
Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods		
Remeasurements of defined benefit pension commitments	– 12	5
Deferred taxes on these amounts	3	– 1
Total income and expenses recognized directly in equity	**– 11**	**25**
Total income and expenses for the period	**249**	**261**
Thereof		
Non-controlling interests	1	0
Profit attributable to shareholders of FUCHS PETROLUB SE	248	261

For further information, please refer to the notes under item 24. → **107** Pension provisions

Balance sheet

in € million	Notes		Dec. 31, 2016		Dec. 31, 2015
Assets					
Intangible assets	(13)		317		284
Property, plant and equipment	(14)		427		365
Shares in companies consolidated at equity	(15)		38		39
Other financial assets	(16)		4		5
Deferred tax assets	(17)		27		34
Other receivables and other assets	(21)		1		1
Non-current assets			**814**		**728**
Inventories	(18)		325		297
Trade receivables	(19)		351		320
Tax receivables	(20)		4		4
Other receivables and other assets	(21)		23		22
Cash and cash equivalents	(22)		159		119
Current assets			**862**		**762**
Total assets			**1,676**		**1,490**
Equity and liabilities					
Subscribed capital		139		139	
Group reserves		806		694	
Group profits		259		236	
Equity of shareholders of FUCHS PETROLUB SE			1,204		1,069
Non-controlling interests			1		1
Total equity	(23)		**1,205**		**1,070**
Pension provisions	(24)		35		33
Other provisions	(26)		3		3
Deferred tax liabilities	(17)		42		47
Financial liabilities			0		0
Other liabilities	(29)		4		4
Non-current liabilities			**84**		**87**
Trade payables	(25)		186		157
Other provisions	(26)		43		37
Tax liabilities	(27)		29		28
Financial liabilities	(28)		13		18
Other liabilities	(29)		116		93
Current liabilities			**387**		**333**
Total equity and liabilities			**1,676**		**1,490**

Statement of changes in equity

in € million	Outstanding shares (units)	Subscribed capital FUCHS PETROLUB SE	Capital reserves FUCHS PETROLUB SE
As at December 31, 2014 / January 1, 2015	139,000,000	139	97
Dividend payments			
Earnings after tax 2015			
Change in income and expenses recognized directly in equity			
As at December 31, 2015 / January 1, 2016	139,000,000	139	97
Dividend payments			
Earnings after tax 2016			
Change in income and expenses recognized directly in equity			
As at December 31, 2016	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. → **106** 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**
	669	10	**915**	1	**916**
	–107		**–107**	0	**–107**
	236		**236**	0	**236**
	4[2]	21	**25**		**25**
	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**

Statement of cash flows

in € million	2016	2015
Earnings after tax	**260**	**236**
Depreciation and amortization of non-current assets	47	39
Change in non-current provisions and in other non-current assets (covering funds)	–9	–3
Change in deferred taxes	1	–2
Non-cash income from shares in companies consolidated at equity	–19	–18
Dividends received from companies consolidated at equity	18	22
Gross cash flow	**298**	**274**
Gross cash flow	298	274
Change in inventories	–22	–9
Change in trade receivables	–28	12
Change in trade payables	28	–4
Change in other assets and other liabilities (excluding financial liabilities)	23	8
Net gain/loss on disposal of non-current assets	1	0
Cash flow from operating activities	**300**	**281**
Investments in non-current assets	–93	–50
Cash paid for shares in companies consolidated at equity	–2	0
Proceeds from the disposal of non-current assets	0	1
Cash paid for acquisitions	–46	–185
Cash acquired through acquisitions	5	15
Cash flow from investing activities	**–136**	**–219**
Free cash flow before acquisitions[1]	205	232
Free cash flow	**164**	**62**
Dividends paid for previous year	–114	–107
Changes in financial liabilities	–7	–46
Cash flow from financing activities	**–121**	**–153**
Cash and cash equivalents as at Dec. 31 of the previous year	**119**	**202**
Cash flow from operating activities	300	281
Cash flow from investing activities	–136	–219
Cash flow from financing activities	–121	–153
Effect of currency translations	–3	8
Cash and cash equivalents at the end of the period	**159**	**119**

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

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

€3 million (4) was paid for interest. Interest payments received totaled €2 million (1).

Statement of cash flows is illustrated in the notes under item 32.
→ **118** Notes to the statement of cash flows

Segments[1]

	Europe			Asia-Pacific, Africa			North and South America		
in € million	**2016**	2015	Change	**2016**	2015	Change	**2016**	2015	Change
Sales revenues by customer location	1,213	1,064	149	683	651	32	371	364	7
Sales revenues by company location	1,417	1,227	190	620	583	37	349	353	– 4
thereof with other segments	117	81	36	0	0	0	2	3	– 1
Scheduled amortization and depreciation	32	24	8	8	8	0	6	6	0
Impairment losses[2]	0	0	0	0	0	0	0	0	0
EBIT before income from companies consolidated at equity	194	160	34	110	106	4	62	65	– 3
Income from companies consolidated at equity	2	2	0	17	16	1	0	0	0
Segment earnings (EBIT)	196	162	34	127	122	5	62	65	– 3
Shares in companies consolidated at equity	3	3	0	35	36	– 1	0	0	0
Additions to property, plant and equipment and intangible assets	50	30	20	18	8	10	24	11	13
Additions from acquisitions	0	189	– 189	0	0	0	43	0	43
Employees as at December 31	3,149	3,112	37	1,040	1,029	11	606	588	18
Performance indicators									
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %	13.7	13.1		17.8	18.2		17.9	18.4	

[1] Part of the notes.

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

Holding including consolidation			FUCHS PETROLUB Group		
2016	2015	Change	**2016**	2015	Change
0	0	0	2,267	2,079	188
–119	–84	–35	2,267	2,079	188
–119	–84	–35	0	0	0
1	1	0	47	39	8
0	0	0	0	0	0
–14	–7	–7	352	324	28
0	0	0	19	18	1
–14	–7	–7	371	342	29
0	0	0	38	39	–1
1	1	0	93	50	43
0	0	0	43	189	–146
103	94	9	4,898	4,823	75
			15.5	15.6	

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, 2016, 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 315 a (1) of the German Commercial Code (Handelsgesetzbuch – HGB), as applicable at the end of the reporting period. All of 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 and that were required for the 2016 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 euros (€ 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.

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 15, 2017 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, 2017.

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, 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 2016 financial year are outlined in the following section. The effects on the net assets, financial position and results of operations of the FUCHS PETROLUB Group are insignificant.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

IFRS 11 contains provisions for the recognition of joint ventures and joint operations in the balance sheet and the income statement. While joint ventures are accounted for using the equity method, the presentation of joint operations as prescribed in IFRS 11 is comparable with proportionate consolidation. With the amendment to IFRS 11, the IASB provides rules on how to account for the acquisition of an interest in a joint operation that represents a business as defined in IFRS 3: Business Combinations. In cases such as this, the purchaser is to apply the accounting principles for business combinations as per IFRS 3. In addition, the disclosure requirements pursuant to IFRS 3 also apply in these cases. In 2016, there were no cases in the FUCHS Group.

Amendments to IAS 1 – Disclosure Initiative

The amendments pertain to various reporting issues, clarifying that information that is not material need not be disclosed in the notes to the consolidated financial statements. This also explicitly applies if an IFRS requires a list of minimum disclosures. In addition, notes on the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income are included here. Clarification is also provided as to how shares in other comprehensive income of companies measured using the equity method are to be presented in the statement of comprehensive income. Ultimately, notes to the consolidated financial statements must no longer follow a required order but can be restructured to improve company-specific relevance.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

With these amendments, the IASB provides further guidelines on selecting acceptable methods of depreciation and amortization. As per the amendments, revenue-based depreciation methods are not permitted for property, plant and equipment, and only permitted for intangible assets in certain special cases (rebuttable presumption of inappropriateness).

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements addressing the allocation of contributions from employees or third parties to periods of service if the contributions are attributed to years of service. In addition, simplifications are provided if the contributions do not depend on the number of years of service.

Improvements to IFRS 2010 – 2012

Seven standards were amended as part of the annual improvement project. Amendments to the wording of individual IFRSs are aimed at clarifying existing regulations. In addition, there are amendments that affect the notes to the consolidated financial statements.

Improvements to IFRS 2012 – 2014

Four standards were amended as part of the annual improvement project. Amendments to the wording of individual IFRS/IASs are aimed at clarifying existing regulations.

The following standards and amendments to standards and interpretations are – pending endorsement by the EU – binding from the 2017 financial year or at a later date.

The FUCHS Group is still assessing their effects. However, the Group does not expect any significant effects on the Group's net assets, financial position or results of operations at the present time.

Standards adopted by the EU

IFRS 9 – Financial Instruments

IFRS 9 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 loss impairment model for financial assets and new general hedge accounting requirements. It also contains guidelines for the recognition and derecognition of financial instruments included in IAS 39. IFRS 9 is mandatory for financial years starting on or after January 1, 2018. Early adoption is also permitted.

This new model to recognize credit losses may lead to changes in impairments on receivables. However, this changed amount, which is insignificant from the Group's perspective, cannot be quantified at the moment.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 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. IFRS 15 is to be applied for the first time in financial years starting on or after January 1, 2018. Early adoption is also permitted, but not planned at this time.

The Group is currently analyzing the effects of the adoption of IFRS 15 and assumes that this will not lead to any material changes in current practices under IAS 18 with regard to the amount and date of sales revenues. Additional disclosures in the notes to the consolidated financial statements also need to be taken into account.

Standards not yet adopted by the EU

IFRS 16 – Leases

IFRS 16 provides a uniform accounting model requiring lessees to recognize leases in their balance sheet. Lessees recognize a right-of-use asset that constitutes a right to use the underlying asset and a lease liability representing their obligation to make lease payments. There are exemptions for short-term leases and leases for low-value assets. The approach to lessor accounting is similar to that of the current standard. This means that lessors still classify leases as finance or operating leases.

IFRS 16 replaces the existing guidelines for leases.

Subject to endorsement by the EU, this standard is applicable in the first reporting period of financial years starting on or after January 1, 2019. Early application is permitted for companies that apply IFRS 15 Revenue from Contracts with Customers on the effective date of IFRS 16 or prior to this date.

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.

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

These amendments address an acknowledged inconsistency between the regulations in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The IASB has decided to postpone the effective date of these amendments indefinitely.

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

These amendments clarify various requirements in IFRS 15 and provide transition relief.

Subject to endorsement by the EU, the amendments are applicable on January 1, 2018.

Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

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

Subject to endorsement by the EU, these amendments are applicable in the first reporting period of financial years starting on or after January 1, 2017. Early adoption is also permitted.

Amendments to IAS 7 – Statement of Cash Flows

The amendments target improvement of the information on a company's indebtedness. The amendments require entities to provide disclosures on changes in liabilities arising from financing activities, including changes arising from cash inflows and outflows shown in cash flows from financing activities in the statement of cash flows. The associated financial assets also need to be included in the notes (e.g. assets from hedging transactions).

The IASB has proposed to present this information in the form of a reconciliation statement from the initial balance to the final balance in the balance sheet; however, other presentations are also permitted.

Subject to endorsement by the EU, these amendments are applicable in the first reporting period of financial years starting on or after January 1, 2017. 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.

Improvements to IFRS 2014 – 2016

As a result of the Annual Improvements to IFRS (2014-2016), three IFRS were amended.

Subject to endorsement by the EU, the amendments to IFRS 12 are applicable in the first reporting period of financial years starting on or after January 1, 2017 and the amendments to IFRS 1 and IAS 28 are applicable in the first reporting period of financial years starting on or after January 1, 2018. 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, 2016	40	18	9	67
Additions	2	1	1	4
Disposals	–5	0	–1	–6
Dec. 31, 2016	**37**	**19**	**9**	**65**
Companies accounted for using the equity method				
Jan. 1, 2016/**Dec. 31, 2016**	**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.
→ **124** Shareholding

The basis of consolidation is made up of 65 (67) companies in total, including the parent company. Changes to the basis of consolidation in 2016 are explained in the section below.

Changes in the scope of consolidation

Additions fully consolidated companies

	in %
FUCHS LUBRICANTS REAL ESTATE AB, Sweden (real estate company)	100
FUCHS LUBRICANTS (SUZHOU) LTD., China (foundation)	100
inoviga GmbH, Germany (foundation)	100
ULTRACHEM INC., USA (acquisition)	100

Disposals fully consolidated companies

	in %
DEUTSCHE PENTOSIN-WERKE GmbH (merger)	100
FUCHS LUBRICANTS NORWAY AS (merger)	100
FUCHS SMÖRJMEDEL SVERIGE AB (merger)	100
FUCHS URUGUAY S.A. (liquidation)	100
STATOIL FUEL & RETAIL LUBRICANTS POLAND SP. Z O.O. (merger)	100
STATOIL FUEL & RETAIL LUBRICANTS RUSSIA LLC (merger)	100

Acquisitions

With effect from June 1, 2016, FUCHS LUBRICANTS CO. USA acquired Chevron’s global business of white oils and special lubricants for the food industry.

The acquired business recorded sales revenues of €11 million for 2015, around 85% of which were generated in North America. €20 million of the €22 million purchase price was paid in cash. The remaining €2 million will be paid within a two-year period based on future sales revenues.

FUCHS LUBRICANTS CO. USA acquired all shares in ULTRACHEM INC. with effect from December 1, 2016. This Delaware-based company produces and sells synthetic specialty lubricants for OEM compressors and industrial maintenance. With this acquisition, the FUCHS Group is expanding its portfolio in the area of industrial specialty lubricants in the USA. In the financial year, ULTRACHEM had 25 employees and generated €15 million in sales revenues almost exclusively in North America prior to the acquisition. The purchase price of €26 million was paid entirely in cash.

The costs of €0.5 million associated with the two acquisitions, namely for legal advice and other incidental acquisition expenses, were predominantly recognized as current expenses in administrative expenses.

The assets and liabilities of the two acquisitions included in the consolidated balance sheet for the first time were recognized at the following (provisional) fair values:

(Provisional) fair values at the time of first-time consolidation

in € million	
Property, plant and equipment	4
Intangible assets (excluding goodwill)	23
Non-current assets	**27**
Inventories	3
Trade receivables	2
Other receivables and other assets	0
Cash and cash equivalents	5
Current assets	**10**
Total assets	**37**
Deferred tax liabilities	4
Non-current liabilities	**4**
Trade payables	0
Current liabilities and provisions	1
Current liabilities	**1**
Total liabilities	**5**
Net assets	**32**
Goodwill	**16**
Total purchase price	**48**

The intangible assets acquired (excluding goodwill) of €23 million are essentially attributable to the customer relations acquired.

The goodwill, of which €6 million is tax-deductible, results from synergy and earnings potential that is anticipated from incorporating the operating business into the FUCHS Group. The purchase price allocations were performed on the basis of estimates and should both be considered provisional.

Since joining the Group (June 1, 2016 and December 1, 2016 respectively), the acquired business of Chevron and ULTRACHEM INC. have collectively contributed €5 million to Group sales revenues. After taking into account the effects of the purchase price allocation, this resulted in a contribution to the FUCHS Group's EBIT of approximately €1 million.

Based on the assumption that the two acquisitions had already been completed with effect from January 1, 2016, Group sales revenues would have been around €2,285 million and Group EBIT would have been around €372 million in the 2016 financial year.

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 recoverable amount 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.

→ **90** Accounting policies
→ **100** 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 outside profit or loss. 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 a key influence, the remaining shares are remeasured at fair value through profit and loss.

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

Sales revenues, expenses and income, and receivables and liabilities between consolidated subsidiaries are netted off. Intercompany profits resulting from sales and services rendered between consolidated companies are eliminated. This does not apply to profit or loss 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 euros 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 outside profit or loss. 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 exchange rate at the end of the reporting period, 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 associates is performed at the respective exchange rates on the date of inclusion. Translation of the annual results concerned is carried out at the middle exchange rate at the end of the reporting period. Dividend payments by 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, 2016	Dec. 31, 2015	Change in foreign currency in %
US dollar	1.052	1.086	3.2
British pound	0.852	0.738	–13.4
Chinese renminbi yuan	7.304	7.050	–3.5
Australian dollar	1.461	1.488	1.8
South African rand	14.449	16.802	16.3
Polish zloty	4.405	4.285	–2.7
Brazilian real	3.423	4.300	25.6
Argentinean peso	16.688	14.046	–15.8
Russian ruble	64.429	80.028	24.2
South Korean won	1,269.67	1,276.88	0.6
Swedish krona	9.583	9.187	–4.1

Average annual exchange rate

€1	2016	2015	Change in foreign currency in %
US dollar	1.107	1.110	0.3
British pound	0.819	0.726	–11.4
Chinese renminbi yuan	7.352	6.976	–5.1
Australian dollar	1.489	1.478	–0.7
South African rand	16.276	14.162	–13.0
Polish zloty	4.363	4.183	–4.1
Brazilian real	3.861	3.696	–4.3
Argentinean peso	16.332	10.271	–37.1
Russian ruble	74.188	68.003	–8.3
South Korean won	1,284.66	1,256.33	–2.2
Swedish krona	9.470	9.360	–1.2

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 2016 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 accounted for using the equity method is also reported in the income statement. When comparing this KPI in relation to 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 accounted for using the equity method.

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.
→ **100** 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. Please refer to note 13 and the "Acquisitions" section for further information.

→ **100** Intangible assets
→ **87** Acquisitions

Provisions for pensions and defined benefit assets

The expenses of 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. → **107** 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.

→ **104** 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 technical processes.

Development work includes the application of research results for the purpose of developing new products and/or processes prior to their commercial use. Development expenses are capitalized as intangible assets when all of the following criteria are met:

- The expenses attributable to the development of the intangible asset can be reliably determined,
- Technical and economic completion is feasible,
- Future economic benefit is probable and
- There is an intention and possibility of bringing the intangible asset to completion in order to use or sell it.

The criteria to recognize internally generated intangible assets in our product segments are fully met only shortly before these products are ready for the market. Development costs that occur after the recognition criteria have been met are insignificant. As a result, these development costs are also recognized in profit or loss when they occur.

Financial result

Borrowing costs are differentiated in the income statement and accounted for using the effective interest method, provided they are not capitalized as part of the historical cost of the asset in line with IAS 23.8.

Interest income is recognized using the effective interest method.

Interest expenses from pension obligations are recognized with interest income from plan assets and are reported in the financial result.

Intangible assets

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

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

A useful life of three to five years applies to software. Other intangible assets, such as patents and licenses, are amortized as per their respective, contractually agreed useful life. Useful lives of 13 (Chevron) and 12 (ULTRACHEM) years were applied to the customer relations acquired as part of the two acquisitions in 2016. A useful life of ten years was applied to the customer relations and technologies acquired for the acquisition of PENTOSIN and SFR Lubricants.

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 accumulated depreciation and impairment. Government grants are offset against acquisition costs. Straight-line depreciation is applied over the useful life of the property, plant and equipment.

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

Useful life

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

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

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

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 accounted for using the equity method 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.

Shares in non-consolidated affiliated companies and 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. Regular-way 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 only includes 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 only includes 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.
→ **113** 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.

Pension obligations are disclosed net of plan assets at their fair values. 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 cannot be reliably determined. They represent uncertain obligations which are recognized at best estimate levels to meet the respective obligation.

The values shown for provisions indicate those amounts which are required for covering future payment obligations, identifiable risks and uncertain liabilities of the Group. Possible price and cost increases are included in the measurement. If the amount of the provision can only be determined within a certain bandwidth, the most likely value is taken. In the case of equal probability, the mean average value is recognized. Non-current provisions with a remaining term of more than one year are discounted at market interest rates which correspond to the risk and the time period up to completion. Claims for reimbursement against third parties are not offset against the provisions, but rather recognized as a separate asset, insofar as their realization is virtually certain.

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

Notes to the income statement

1 Sales revenues

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

Sales revenues

in € million	2016	Share in %	2015	Share in %	Change absolute	Change in %*
Automotive lubricants	1,028	45.4	864	41.6	164	19.0
Industrial lubricants and specialties	1,175	51.8	1,152	55.4	23	2.0
Other products	64	2.8	63	3.0	1	0.8
	2,267	**100.00**	**2,079**	**100.00**	**188**	**9.0**

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

The main areas of the automotive lubricants product group are engine oil, gear oil, and shock-absorber oil. At €1,028 million (864), sales revenues in this group increased by 19.0%. Its share in Group sales revenues increased to 45.4% (41.6).

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 this product group rose by 2.0% to €1,175 million (1,152). At 51.8% (55.4), 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 0.8% or €1 million to €64 million (63).

The development of sales revenues by geographic region can be seen under segment reporting.
→ 82 Segments

2 Cost of sales

in € million	2016	2015
Cost of purchased raw materials, supplies, goods for resale and purchased services	1,272	1,159
Cost of materials	**1,272**	**1,159**
Staff costs	76	68
Depreciation and amortization of property, plant and equipment and intangible assets	19	17
Third-party services	19	17
Maintenance costs	13	11
Energy costs	10	10
Other costs	7	6
	1,416	**1,288**

3 Selling and distribution expenses

in € million	2016	2015
Staff costs	163	156
Freight	80	70
Travel expenses	14	14
Marketing costs	13	11
Commission payments	12	10
Third-party services	12	12
Rental and lease expenses	11	10
Depreciation and amortization of property, plant and equipment and intangible assets	17	12
Maintenance costs	4	3
Other taxes	2	2
Other costs	13	11
	341	**311**

Marketing costs also include expenses for automotive and motorbike 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. Other costs include pro rata costs of communication and pro rata insurance premiums.

4 Administrative expenses

in € million	2016	2015
Staff costs	64	58
Third-party services	13	9
Depreciation and amortization of property, plant and equipment and intangible assets	7	7
Audit and consultancy costs	6	6
Other taxes	3	3
Rental and lease expenses	4	3
Travel expenses	4	4
Maintenance costs	4	3
Other costs	12	12
	117	**105**

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. 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	2016	2015
Income from		
Currency exchange gains	11	11
Reversal of provisions	5	1
Licenses and own work capitalized	3	3
Reversal of write-downs	2	2
Miscellaneous operating income	6	6
Other operating income	**27**	**23**
Currency exchange losses	9	13
Write-downs of receivables	3	6
Restructuring costs and severance payments	2	8
Losses from the disposal of fixed assets	1	0
Miscellaneous operating expenses	9	8
Other operating expenses	**24**	**35**
Other operating income and expenses	**3**	**– 12**

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).

In the previous year, €6 million of the €8 million in restructuring costs and severance payments was attributable to the two acquisitions in 2015.

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 accounted for using the equity method

The income from companies accounted for using the equity method includes the proportionate income of joint ventures and associates.

Income from companies accounted for using the equity method

in € million	2016	2015
Income from companies accounted for using the equity method	19	18

More information is provided in note 15 "Shares in companies accounted for using the equity method."

→ 103 Shares in companies accounted for using the equity method

7 Financial result

in € million	2016	2015
Other interest and similar income		
Other (mainly banks)	2	1
Interest income	**2**	**1**
Interest and similar expenses		
Other (mainly banks)	−3	−4
Pension obligations		
Interest expense	−3	−3
Interest income from plan assets	2	2
Interest expenses	**4**	**5**
Financial result	**−2**	**−4**

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	2016	2015
Current taxes	108	104
thereof Germany	45	40
thereof international	63	64
Deferred taxes	1	−2
thereof Germany	2	−1
thereof international	−1	−1
Total	**109**	**102**

Current taxes comprise €2 million (1) in tax income for previous financial years.

The German tax rate is based on the corporation tax rate of 15.8% (15.8) and includes the solidarity surcharge of 5.5%. Including trade tax of 15.1% (15.2), the total tax burden in Germany is about 30.9% (31.0).

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 remained unchanged year on year (between 10.0% and 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	2016	in %	2015	in %
Earnings before tax (EBT)	369		338	
Expected tax expense	**114**	**30.9**	**105**	**31.0**
Taxation rate differences	–10	–2.4	–6	–1.8
Non-deductible expenses	4	1.0	4	1.3
Tax-free income	–1	–0.3	–1	–0.5
Income from companies accounted for using the equity method	–6	–1.6	–6	–1.6
Taxes for prior periods	–2	–0.7	–1	–0.3
Withholding taxes	9	2.5	6	1.7
Other	1	0.1	1	0.4
Reported tax expense	**109**	**29.5**	**102**	**30.2**

The reported tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 29.5% (30.2). The Group's tax rate adjusted for income from companies accounted for using the equity method is 31.0% (31.9).

9 Non-controlling interests

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

10 Earnings per share

in € million	2016	2015
Profit attributable to shareholders of FUCHS PETROLUB SE	**259**	**236**
Earnings per ordinary share in €		
Earnings per share	1.86	1.69
Weighted average number of ordinary shares	69,500,000	69,500,000
Earnings per preference share in €		
Earnings per share	1.87	1.70
Weighted average number of preference shares	69,500,000	69,500,000

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

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

11 Other taxes

The reported figure of €6 million (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	2016	2015
Wages and salaries	279	259
Social security contributions and expenses for pensions and similar obligations	53	47
thereof for pensions	9	7
	332	**306**

€76 million (68) of staff costs is attributable to cost of sales, €163 million (156) to selling and distribution expenses, €64 million (58) to administrative expenses and €29 million (24) 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 does it include any income from plan assets for financing pension obligations.

Number of employees

Annual average	2016	2015
Europe	3,145	2,675
Asia-Pacific, Africa	1,039	1,032
North and South America	594	566
Holding companies	98	95
	4,876	**4,368**

Notes to the balance sheet

13 Intangible assets

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**

Development of intangible assets in 2015

in € million	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Acquisition and manufacturing costs (gross)				
Dec. 31, 2014	102	100	2	204
Currency differences	3	1	0	4
Additions from acquisitions	76	83	0	159
Additions	0	2	2	4
Disposals	0	0	0	0
Reclassifications	0	0	–1	–1
Dec. 31, 2015	181	186	3	370
Accumulated amortization				
Dec. 31, 2014	15	61	0	76
Currency differences	0	1	0	1
Amortization	0	9	0	9
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Dec. 31, 2015	15	71	0	86
Net value Dec. 31, 2015	**166**	**115**	**3**	**284**

Development of goodwill
Information regarding the additions of €16 million (76) can be found under "Acquisitions" in the "Basis of preparation" section.
→ 87 Acquisitions

Goodwill of the cash-generating units

Overview of the goodwill

in € million	2016	2015
FUCHS CORPORATION, USA (subgroup)	92	74
FUCHS SCHMIERSTOFFE GmbH (incl. merged DEUTSCHE PENTOSIN-WERKE GmbH), Germany	43	43
12 other (previous year: 12) cash-generating units	50	49
Goodwill	**185**	**166**

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 2017 and the plan years 2018 and 2019, was used as the basis for cash flow planning. The planning is based on past experience, the current operating results, and the best possible estimate of corporate management regarding future developments. The projected figures are based on detailed individual budgets and their extrapolation. These incorporate growth rate assumptions, which take into account the conditions in the local sales markets at the time of budget drafting, current expectations regarding price trends in the procurement markets and inflation expectations. Alongside inflation and country risks, local taxation rates are also considered in the discount rate.

For the time period following mid-term planning, a terminal value is extrapolated based on the last detailed planning year. When determining the terminal value, country-specific growth rates of 0.5% (0.5) to 1.0% (1.0) are taken into account to consider inflation-based growth. The impairment tests performed by 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% (14.0) 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 at FUCHS CORPORATION, USA, and FUCHS SCHMIERSTOFFE GmbH.

In the 2016 financial year, there were no impairment losses (0) on goodwill. Impairments are reported in other operating expenses.

To take into account potential deviations in key assumptions, sensitivities were calculated and a 20% reduction in future cash flows assumed. Based on previous experience we believe that larger variations are unlikely. If actual cash flows were 20% lower than cash flows assumed in impairment tests, this would not lead to any impairment loss in the Group's 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 two years have a residual book value of around €85 million (73). Their remaining useful life is between 9 and 12 years (10 years).

Advance payments on intangible assets

Intangible assets also comprise advance payments of €0 million (3).

14 Property, plant and equipment

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
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**

Additions in 2016 are essentially related to the locations in Germany, the USA and Australia.

Development of property, plant and equipment in 2015

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, 2014	241	264	121	14	640
Currency differences	6	7	3	0	16
Additions from acquisitions	14	13	1	2	30
Additions	4	9	9	24	46
Disposals	–8	–7	–5	0	–20
Reclassifications	8	2	2	–11	1
Dec. 31, 2015	265	288	131	29	713
Accumulated depreciation					
Dec. 31, 2014	81	159	87	0	327
Currency differences	4	5	1	0	10
Depreciation	7	14	9	0	30
Impairment losses	0	0	0	0	0
Disposals	–9	–6	–4	0	–19
Reclassifications	0	0	0	0	0
Dec. 31, 2015	83	172	93	0	348
Net value Dec. 31, 2015	**182**	**116**	**38**	**29**	**365**

15 Shares in companies accounted for using the equity method

This item is made up of five companies accounted for using the equity method. For the measurement using the equity method, the proportionate equity was determined on the basis of financial statements as of December 31, 2016 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.
→ 124 Shareholding

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

Shares in companies accounted for using the equity method

in € million	2016	2015
Carrying amount of shares in companies accounted for using the equity method on January 1	**39**	**42**
Pro rata earnings after tax	19	18
Pro rata dividends received	–18	–22
Pro rata income and expenses recognized outside profit or loss	–2	1
Carrying amount of shares in companies accounted for using equity method on December 31	**38**	**39**

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	2016	2015
Carrying amount of joint ventures accounted for using the equity method	**23**	**19**
Earnings after taxes	14	11
Pro rata earnings after tax	7	6
Pro rata other comprehensive income	–3	–2
Pro rata comprehensive income after tax	**4**	**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	2016	2015
Carrying amount of associates accounted for using the equity method	**15**	**20**
Earnings after taxes	41	41
Pro rata earnings after tax	12	12
Pro rata other comprehensive income	0	3
Pro rata comprehensive income after tax	**12**	**15**

16 Other financial assets

in € million	2016	2015
Investments in companies	1	1
Other loans	3	4
	4	**5**

In accordance with their financing nature, the non-current portion of the receivables relating to delivery agreements in France of €2 million (3) 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

	Deferred tax assets		Deferred tax liabilities	
in € million	**2016**	2015	**2016**	2015
Property, plant and equipment	1	1	15	13
Other non-current assets	3	4	34	33
Inventories	10	8	0	0
Other current assets	3	3	1	1
Non-current provisions	16	14	1	1
Other non-current liabilities	0	1	7	5
Current provisions and liabilities	11	10	1	1
Expected use of losses carried forward	0	0	0	0
Total deferred tax assets/liabilities	**44**	**41**	**59**	**54**
Tax offset	–17	–7	–17	–7
Total assets/liabilities	**27**	**34**	**42**	**47**

The total amount of deferred tax assets of €27 million (34) 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 €42 million (47) 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 €5 million (6). €4 million (5) thereof is attributable to the Europe region (excluding Germany), while €1 million (1) is attributable to the Asia-Pacific region and €0 million (0) is attributable to South America. 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. The deferred tax assets of €0 million (0) for tax loss carryforwards are attributable to the Europe region.

A deferred tax liability of €7 million (5) was recognized for future tax charges associated with planned dividend payments from foreign subsidiaries. In addition, there are other retained earnings at subsidiaries of €472 million (411) 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 – €2 million (– 23) in the year under review. Taking into account deferred taxes for the 2016 financial year, which are recognized outside profit or loss and result from the allocation of pension obligations of €3 million (– 1) as well as net opening amounts in the balance sheet of – €4 million (– 23) for the two acquisitions, expenses from deferred taxes of €1 million (– 2) 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, 2016	Dec. 31, 2015
Raw materials and supplies	128	116
Work in progress	22	23
Finished goods and merchandise	175	158
	325	**297**

Write-downs of inventories totaling €2 million (1) 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, 2016	Dec. 31, 2015
Receivables due from customers	349	318
Receivables due from joint ventures and associates	2	2
	351	**320**

Write-downs of trade receivables developed as follows:

Development of write-downs

in € million	2016	2015
Impairments as of January 1	**18**	**15**
Currency translation effects	0	0
Additions	2	4
Utilization	– 1	– 1
Reversals	– 2	– 1
Change in the basis of consolidation	0	1
Impairments as of December 31	**17**	**18**

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

Receivables by maturity

in € million	Dec. 31, 2016	Dec. 31, 2015
Receivables neither overdue nor impaired	**305**	**283**
Overdue receivables that are not impaired:		
less than 30 days	34	29
30 to 60 days	8	7
61 to 90 days	3	3
91 to 180 days	3	3
181 to 360 days	2	1
more than 360 days	0	0
Total of overdue receivables	**50**	**43**
Minus collectively assessed allowances	**– 5**	**– 7**
Impaired receivables, gross	**12**	**12**
Minus individually assessed allowances	**– 11**	**– 11**
Trade receivables	**351**	**320**

20 Current tax receivables (income tax)

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

21 Other receivables and other assets

Other current receivables and assets

in € million	2016	2015
Receivables due from joint ventures and associates	0	0
Other taxes	4	3
Sundry other assets	19	19
	23	**22**

At €3 million (2), other taxes mainly include VAT receivables.

The Group's sundry other assets include the current portion of customer loans of €2 million (3) 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 (1). Other assets also include advance rental payments, prepaid expenses, refund claims, and other customer loans, and receivables from other sales. Total impairments of €4 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 €159 million (119) comprise bank deposits, cash in hand, checks and bills of exchange not yet presented, and securities of €30 million (0) 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, 2016	Dec. 31, 2015
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 2017 Annual General Meeting: €0.88 per ordinary share entitled to dividend payments and €0.89 per preference share entitled to dividend payments. Dividends of €0.81 per ordinary share and €0.82 per preference share were paid in 2016.

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.

→ 78 Statement of changes in equity

In Germany, measurement is based on the following assumptions:

Valuation assumptions Germany

in %	2016	2015
Discount rate	1.5	2.2
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 %	2016	2015
Discount rate	From 0.9 to 8.8	From 1.4 to 9.0
Average discount rate	2.3	3.4
Salary trend	From 1.5 to 8.0	From 1.5 to 9.0
Average salary level trend	2.0	2.6
Pension trend	From 0.1 to 3.2	From 0.1 to 3.1
Average pension level trend	3.2	3.1

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, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Present value of benefit obligations financed by funds in Germany	79	69	74	58	60
Present value of benefit obligations financed by funds outside Germany	54	49	47	63	57
Present value of benefit obligations financed by provisions in Germany	1	5	1	1	1
Present value of benefit obligations financed by provisions outside Germany	6	6	5	4	4
Total pension benefits	**140**	**129**	**127**	**126**	**122**
Fair value of plan assets in Germany	63	58	57	57	56
Fair value of plan assets outside Germany	43	38	34	53	40
Funding status	**34**	**33**	**36**	**16**	**26**
Similar obligations	1	0	0	0	0
Net obligation as of December 31	35	33	36	16	26
Disclosures in the balance sheet:					
Defined benefit assets	**0**	**0**	**0**	**0**	**0**
Pension provision	**35**	**33**	**36**	**16**	**26**

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, 2016, pension obligations amounted to €6 million (5), which were offset against assets of €5 million (5) in the consolidated balance sheet. The €1 million (0) 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 concern our companies 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	2016	2015
Present value as of January 1	129	127
Currency effects	–8	4
Changes in the basis of consolidation	0	4
Current service cost	2	3
Interest expense	3	3
Remeasurements		
Actuarial losses (gains) due to financial assumptions	19	–7
Benefits paid	–4	–5
Income from plan amendments (Great Britain)	–1	0
Present value as of December 31	**140**	**129**
Netting with plan assets	106	96
Funding status	**34**	**33**
Similar obligations	1	0
Pension provisions as of December 31	**35**	**33**

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, 2016 (December 31, 2015):

Sensitivity analyses

Effects (in € million) on the present value of defined pension obligations due to	Germany	International	Total
Change in discount rate			
Increase by 0.5 percentage points	–6 (–5)	–5 (–4)	–11 (–9)
Decrease by 0.5 percentage points	6 (5)	6 (5)	12 (10)
Change in anticipated wage/salary developments			
Increase by 0.25 percentage points	0 (0)	1 (1)	1 (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 (2)	2 (1)	3 (3)
Decrease by 0.25 percentage points	–2 (–2)	–1 (–1)	–3 (–3)

As of December 31, 2016, the weighted average term of defined benefit obligations was 14.6 years (12.5) 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	2016	2015
Fair value as of January 1	96	91
Currency effects	–5	2
Interest income from plan assets	2	2
Current contributions	10	8
Benefits paid	–4	–5
Remeasurements		
Actuarial gains (losses) due to financial assumptions	7	–2
Fair value as of December 31	**106**	**96**

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 2016 was based on the discount rate of 2.2% (1.8). The actual return on plan assets calculated was 0.6% (1.7). A limited risk of a supplementary financing requirement can occur due to the selected Allianz insurance tariff (risk/opportunity portfolio) in the event of a decrease in the overall interest rate.

The plan assets in Great Britain comprise equity instruments, debt instruments and cash and cash equivalents. The return on plan assets was based on an average rate of 3.9% (3.6). The actual return on plan assets averaged 25.9% (–0.9).

Asset classes of the plan assets

			Dec. 31, 2016			Dec. 31, 2015
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		63	63		59	59
Equity instruments	34		34	30		30
Debt instruments	9		9	7		7
Fair value of plan assets	**43**	**63**	**106**	**37**	**59**	**96**

Total current contributions of €5 million (6) are budgeted for 2017 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.

60% (61) 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 8% (7) 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 €15.0 million (15) and are made up of the following components:

Total pension expenses

in € million	2016	2015
Current service cost	2	3
Interest expense	3	3
Interest income from plan assets	–2	–2
Income from plan amendments (Great Britain)	–1	0
Expenses for defined benefit pension plans	**2**	**4**
Expenses for defined contribution pension plans	13	11
Total pension expenses	**15**	**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, 2016	Dec. 31, 2015
Trade payables	180	154
Bills payable	2	2
Advance payments received	4	1
	186	**157**

26 Other provisions

Current provisions

Current provisions mainly consist of the following:

Current provisions

in € million	Dec. 31, 2016	Dec. 31, 2015
Credit notes and bonuses	10	6
Environmental obligations	8	7
Warranty	1	1
Costs for preparing the annual financial statements	1	1
Restructuring and redundancy payments	1	6
Compensation of the Supervisory Board	1	1
Other obligations	21	15
	43	**37**

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 accruals arising from transactions with suppliers and customers.

Interest has not been accrued for any current provisions.

Other non-current provisions

→ ⌗ Development of non-current provisions

This item also includes non-current provisions resulting from employee benefit obligations, such as anniversary bonuses.

Employees in Germany have the option to invest balances in lifetime working accounts. For the long-term accounts set up, the provisions measured at their settlement value of €6 million (5) are netted against the corresponding fair value of assets of €6 million (5) (acquisition costs of €6 million – previous year €5 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, 2015	Currency exchange differences	Additions	Utilization	Reversals	Dec. 31, 2016
Credit notes and bonuses	6	0	10	6	0	10
Environmental obligations	7	1	0	0	0	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	6	0	0	4	1	1
Compensation of the Supervisory Board	1	0	1	1	0	1
Other obligations	15	0	17	9	2	21
	37	**1**	**29**	**21**	**3**	**43**

Development of non-current provisions

in € million	Dec. 31 2015	Currency exchange differences	Additions	Utilization	Reversals	Dec. 31 2016
Other non-current provisions	3	0	0	0	0	3

27 Current tax liabilities

This item includes total liabilities for income taxes of €29 million (28). This year-on-year increase is mainly attributable to the rise in provisions for corporation and trade tax in Germany.

28 Current financial liabilities

All interest-bearing liabilities to banks with a remaining term of less than one year are reported in current financial liabilities.

29 Other liabilities

Other current liabilities

Other liabilities are attributable to:

Other current liabilities

in € million	Dec. 31, 2016	Dec. 31, 2015
Obligations for personnel and social expenses	52	50
Fair value of derivative financial instruments	1	0
Social security	6	6
VAT liabilities	12	12
Other tax liabilities	10	7
Liabilities due to associates	0	0
Other liabilities	35	18
	116	**93**

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 €9 million (10), 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 €36 million (14) as of December 31, 2016. The increase is essentially attributable to our subsidiaries in Australia, South Africa, and one of our German subsidiaries.

Operating lease agreements

The Group mainly utilizes rental or operating lease agreements for production plants, warehouses, vehicles, fork-lift trucks, IT equipment and software.

The nominal value of future minimum lease payments for operating leases as of December 31, 2016 structured by maturity terms are as follows:

Maturities

in € million	Dec. 31, 2016	Dec. 31, 2015
Up to 1 year	12	11
1 to 5 years	16	14
More than 5 years	3	0
Total of minimum leasing payments	**31**	**25**

Rental and lease payments totaled €19 million (16) in the year under review. We have the right to purchase a production facility in Germany once the present contract expires in 2017.

In addition to operating lease obligations, there are other financial obligations (IT maintenance, etc.) of €2 million (2).

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	2016	2015
Financial assets and financial liabilities at fair value through profit and loss	– 1	1
Loans and receivables	– 1	– 4
Financial liabilities measured at cost	0	1

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	2016	2015
Total interest income	2	1
Total interest expenses	– 3	– 4

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 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. Future (anticipative) transactions were not hedged.

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

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**

Fair value as of December 31, 2015

in € million	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	45	1	1	0
Total derivatives	**45**	**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, 2016				Dec. 31, 2015			
	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	55	0	0	55	45	0	0	45
Nominal volume of derivatives	**55**	**0**	**0**	**55**	**45**	**0**	**0**	**45**

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 it maintains with 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 €5 million (3) were secured.

Bad debt allowances are recorded for the remaining credit risks as soon as they exceed certain limits.

→ **105** 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 €13 million (18) in lines of credit already utilized, the Group also had access to other free lines of credit of €186 million (175). 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, 2016 affect the Group's liquidity situation (non-discounted):

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**

Maturities of contractual cash flows from financial liabilities as of December 31, 2015

in € million	Total	2016	2017	2018	2019	2020	≥2021
Financial liabilities incl. interest	18	18	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0
Trade payables	157	157	0	0	0	0	0
Other financial liabilities	17	17	0	0	0	0	0
Total	**192**	**192**	**0**	**0**	**0**	**0**	**0**

In comparison to the previous year (192), financial liabilities rose by €41 million to €233 million. 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 €159 million (119) and €186 million (175) in free lines of credit. In addition, the Group has current trade receivables of €351 million (320) 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.
→ 🗋 **107** 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 eurozone. 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 area and Africa. 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	2016	in %	2015	in %
Euro	0	0	1	6
Indian rupee	2	13	3	18
South African rand	0	0	1	2
Indonesian rupiah	0	0	1	6
Brazilian real	5	41	8	44
Russian ruble	0	0	4	24
US dollar	6	46	0	0
	13	**100**	**18**	**100**

Interest rate risks

In the light of the Group's sound liquidity situation, there are currently no appreciable interest rate risks that require hedging using derivative instruments.

The financial liabilities break down by interest rate agreement as follows. With the exception of the finance leasing transactions no collateral was provided.

Financial liabilities by interest rate agreement

in € million	Effective interest rate	Fixed interest rate	Carrying amount Dec. 31, 2016	Carrying amount Dec. 31, 2015
Short-term loans in EUR	Variable interest rate	< 1 year	0	1
Short-term loans in INR	Variable interest rate	< 1 year	2	3
Short-term loans in ZAR	Variable interest rate	< 1 year	0	1
Short-term loans in IDR	Variable interest rate	< 1 year	0	1
Short-term loans in BRL	Variable interest rate	< 1 year	5	8
Short-term loans in RUB	Variable interest rate	< 1 year	0	4
Short-term loans in USD	Variable interest rate	< 1 year	6	0
			13	**18**

Summary of interest rate hedging periods

Interest rate hedging periods

in € million	2016	in %	2015	in %
Up to 1 year	13	100	18	100
1 to 5 years	0	0	0	0
More than 5 years	0	0	0	0
	13	**100**	**18**	**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, 2016 would have reduced the financial result by €0.1 million (0.1) – 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 effect of €2 million (0).

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 accounted for using the equity method are recognized in cash flows from operating activities. The contribution of companies accounted for using the equity method 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.

Free cash flow is calculated on the basis of cash inflows from operating activities and cash out-flows from investing activities.

Free cash flow before acquisitions is calculated with free cash flow adjusted for payments for acquisitions and cash acquired through acquisitions.

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 companies 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	2016	2015
Sales revenues		
Companies in Germany	631	569
Companies in North America (mainly in the USA)	294	302
Companies in China	333	297
Other companies	1,009	911
Total	**2,267**	**2,079**
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)	92	74
Other companies	45	44
Total	**185**	**166**
thereof other intangible assets and property, plant and equipment		
Companies in Germany	221	215
Companies in North America (mainly in the USA)	109	61
Companies in China	42	46
Other companies	187	161
Total	**559**	**483**

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. → 82 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	2016	2015
Total segment earnings (EBIT)	371	342
Financial result	– 2	– 4
Income taxes	– 109	– 102
Consolidated earnings after tax	**260**	**236**

Segment reporting also contains investments in intangible assets, property, plant and equipment, as well as additions from acquisitions, the number of employees in the segments as of the end of the reporting period, and the respective EBIT margins achieved before income from companies accounted for using the equity method.

Sales revenues by product are disclosed in note 1 to the income statement. → **96** 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 accounted for using the equity method
- 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 €2 million (2) relating to supplies and services in addition to other receivables of €0 million (0) from companies accounted for using the equity method. Liabilities amount to €0 million (0).

The value of goods delivered in 2016 to companies accounted for using the equity method was €14 million (16), 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. → **107** 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
Neustadt an der Weinstraße
Chairman

Chairman of the Supervisory Board at BASF SE

Other directorships as per Section 100 (2) of the German Stock Corporation Act (AktG)
- Daimler AG
- TRUMPF GmbH + Co. KG, Chairman

Comparable German and international supervisory bodies:
- Nyxoah SA (since July 7, 2016)

Dr. Dr. h.c. Manfred Fuchs
Mannheim
Deputy Chairman

Former Chairman of the Executive Board of FUCHS PETROLUB SE

Horst Münkel*
Mannheim

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

Ingeborg Neumann
Berlin

Managing Partner at Peppermint Holding GmbH

Other directorships as per Section 100 (2) of the German Stock Corporation Act (AktG)
- Berliner Wasserbetriebe AöR
- Scienion AG

Lars-Eric Reinert*
Chicago

Grease Plant Manager in Harvey, FUCHS LUBRICANTS CO.

Dr. Erhard Schipporeit
Hanover

Former member of the Executive Board of E.ON SE

Other directorships as per Section 100 (2) of the German Stock Corporation Act (AktG)
- BDO AG Wirtschaftsprüfungsgesellschaft
- Deutsche Börse Aktiengesellschaft
- Hannover Rück SE
- RWE Aktiengesellschaft (since April 20, 2016)
- SAP SE
- Talanx Aktiengesellschaft

* Employee representative.

Executive Board

Stefan Fuchs
Hirschberg
Chairman

Group mandates
- FUCHS CORPORATION
- FUCHS LUBRICANTS CO.
- OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Chairman

Other directorships as per Section 100 (2) of the German Stock Corporation Act (AktG)
- TRUMPF GmbH + Co. KG

Dr. Lutz Lindemann
Kerzenheim
Member

Dr. Timo Reister
Heidelberg
Member

Group mandates
- ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD.
- FUCHS LUBRICANTS (Yingkou) LTD.
- FUCHS LUBRICANTS (Korea) LTD.
- FUCHS LUBRICANTS (China) LTD.
- FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD.
- FUCHS LUBRICANTS TAIWAN CORP.
- FUCHS OIL MIDDLE EAST LTD.

Dr. Ralph Rheinboldt
Heddesheim
Member

Group mandates
- FUCHS LUBRICANTS BENELUX N.V./S.A., Chairman
- FUCHS HELLAS S.A.
- FUCHS LUBRICANTES S.A.U., Chairman
- FUCHS LUBRICANTS DENMARK ApS
- FUCHS LUBRICANTS NORWAY AS
- FUCHS LUBRICANTS SWEDEN AB
- FUCHS LUBRICANTS (UK) PLC
- FUCHS LUBRIFIANT FRANCE S.A., Chairman
- FUCHS LUBRIFICANTI S.P.A., Chairman
- FUCHS OIL FINLAND OY
- FUCHS SCHMIERSTOFFE GmbH (since June 27, 2016)
- MOTOREX AG LANGENTHAL

Dagmar Steinert
Mannheim
Member, Chief Financial Officer

Group mandates
- FUCHS CORPORATION
- FUCHS SCHMIERSTOFFE GmbH (since June 27, 2016)

Compensation for members of the Executive Board

in € thousand	2016	2015
Compensation of the Executive Board	**8,063**	**7,449**
thereof fixed compensation	2,875	2,191
thereof variable compensation	5,188	5,258
Pension expenses for pension commitments to active members of the Executive Board	692	924
Former member of the Executive Board		
Total compensation of former board members	539	416
Balance of pension obligations and plan assets	3,014	1,760

The balance of pension obligations and plan assets of €3,014 thousand (1,760) for former members of the Executive Board results from the existing plan assets of €9,220 thousand (5,887), minus pension obligations of €12,234 thousand (7,647).

Compensation for members of the Supervisory Board
Compensation for members of the Supervisory Board totaled €771 thousand (750).

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. → 71 Legal disclosures

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 22 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 315a 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	2016	2015
Audit fees	1.8	1.7
Audit-related fees	0.1	0.1
Tax fees	0.1	0.1
All other fees	0.1	0.1
Total	**2.1**	**2.0**

This includes audit fees of €0.4 million (0.5) for the annual financial statements in Germany recognized in profit or loss, of which €0.0 million (0.0) is attributable to services related to the previous year, €0.1 million (0.1) is attributable to other services and expenses, €0.0 million (0.0) is attributable to tax advisory services, and €0.0 million (0.0) is attributable to other services.

Around €0.1 million (0.1) of the audit fees is attributable to non-recurring audit services in connection with acquisitions, mergers 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 315a in conjunction with Section 313 (2) of the German Commercial Code (HGB)

Name and registered office of the company (in € million)	Share of equity (in %)[1]	Shareholders' equity[2]	Sales revenues in 2016[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	117	F
FUCHS SCHMIERSTOFFE GmbH, Mannheim[4]	100	95	676	F
FUCHS WISURA GmbH, Bremen[4]	100	1	18	F
PARAFLUID GmbH (formerly PARAFLUID MINERALOELGESELLSCHAFT MBH), Hamburg[4]	100	1	15	F
inoviga GmbH, Mannheim	100	0	0	F
EUROPE (EXCLUDING GERMANY)				
FUCHS LUBRICANTS BENELUX N.V./S.A., Huizingen/Belgium	100	12	32	F
FUCHS LUBRICANTS DENMARK A/S (formerly STATOIL FUEL & RETAIL LUBRICANTS DENMARK APS), Copenhagen/Denmark	100	3	11	F
FUCHS LUBRICANTS ESTONIA OÜ (formerly STATOIL FUEL & RETAIL LUBRICANTS ESTONIA OÜ), Tallinn/Estonia	100	0	1	F
FUCHS OIL FINLAND OY, Vaasa/Finland	100	1	3	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre Cedex/France	99.7	21	115	F
FUCHS LUBRITECH S.A.S., Ensisheim/France	100	2	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	45	130	F
FUCHS LUBRITECH INTERNATIONAL (UK) LTD., London/Great Britain	100	0	0	F
FUCHS LUBRITECH (UK) LTD., London/Great Britain	100	0	0	F
FUCHS LUBRIFICANTI S.P.A., Buttigliera d'Asti/Italy	100	19	67	F
FUCHS MAZIVA D.O.O., Samobor/Croatia	100	2	5	F
FUCHS LUBRICANTS LATVIA SIA (formerly STATOIL FUEL & RETAIL LUBRICANTS LATVIA SLA), Riga/Latvia	100	0	1	F
FUCHS LUBRICANTS LITHUANIA UAB (formerly STATOIL FUEL & RETAIL LUBRICANTS LITHUANIA UAB), Vilnius/Lithuania	100	0	1	F
FUCHS MAK DOOEL, Skopje/Macedonia	100	1	1	F
FUCHS LUBRICANTS NORWAY AS (formerly STATOIL FUEL & RETAIL LUBRICANTS NORWAY AS), Oslo/Norway	100	11	25	F
FUCHS AUSTRIA SCHMIERSTOFFE GmbH, Thalgau/Austria	70	3	17	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gliwice/Poland	100	48	91	F
FUCHS LUBRIFICANTES UNIPESSOAL LDA., Moreira-Maia/Portugal	100	3	9	F
OOO FUCHS OIL, Moscow/Russia	100	22	46	F

Name and registered office of the company (in € million)	Share of equity (in %)[1]	Shareholders' equity[2]	Sales revenues in 2016[2]	Consolidation[3]
FUCHS LUBRICANTS SWEDEN AB (formerly STATOIL FUEL & RETAIL LUBRICANTS SWEDEN AB), Stockholm/Sweden (subgroup)	100	49	94	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	8	F
FUCHS MAZIVA LSL D.O.O., Krško/Slovenia	100	1	3	F
FUCHS LUBRICANTES S.A.U., Castellbisbal/Spain	100	21	57	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Stráncice/Czech Republic	100	4	13	F
TOV FUCHS MASTYLA UKRAINA, Lviv/Ukraine	100	4	13	F
FUCHS OIL HUNGARIA KFT, Budaörs/Hungary	100	1	6	F
ASIA-PACIFIC, AFRICA				
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia (subgroup)	100	52	130	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	72	208	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	10	0	F
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou-City/People's Republic of China	100	64	158	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai/India	100	10	23	F
PT FUCHS INDONESIA, Jakarta/Indonesia	100	4	9	F
PT FUCHS LUBRICANTS INDONESIA, Jakarta/Indonesia	100	0	3	F
FUCHS JAPAN LTD., Tokyo/Japan	100	3	10	F
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	8	25	F
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam/Malaysia	100	2	7	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	3[7]	14[7]	F
FUCHS LUBRICANTS PTE. LTD., Singapore/Singapore	100	3	14	F
FUCHS LUBRICANTS SOUTH AFRICA (PTY.) LTD., Johannesburg/South Africa	74.9	2	59	F
FUCHS SOUTHERN AFRICA (PTY.) LTD., Johannesburg/South Africa	100	38	16	F
FUCHS LUBRICANTS TAIWAN CORP., Taipei/Taiwan	100	2	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	7	36	F
PENTOSIN DO BRASIL LTDA., São Paulo/Brazil	100	4	5	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	9[5]	24[5]	F

Name and registered office of the company (in € million)	Share of equity (in %)[1]	Shareholders' equity[2]	Sales revenues in 2016[2]	Consolidation[3]
LUBRICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro/Mexico	100	6[5]	26[5]	F
PROMOTORA FUCHS S.A. DE C.V., Querétaro/Mexico	100	0[5]	3[5]	F
FUCHS CORPORATION, Dover, Delaware/USA (subgroup)	100	173	297	F
FUCHS LUBRICANTS CO., Harvey, Illinois/USA	100	148[5]	254[5]	F
ULTRACHEM INC., New Castle, Delaware/USA	100	24[5]	1[5]	F
II. JOINT VENTURES				
MOTOREX AG LANGENTHAL, Langenthal/Switzerland	50	6	26	E
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir/Turkey	50	41	78	E
III. ASSOCIATES				
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia	32	64	177	E
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	6	9	E
FUCHS OIL MIDDLE EAST LTD., Sharjah/United Arab Emirates	50	14	24	E
IV. OTHER COMPANIES IN WHICH THE GROUP HOLDS AN INTEREST (PERCENTAGE OF SHARES HELD >5%)				
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, 2016, while the accumulated average annual exchange rate of 2016 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 15, 2017
FUCHS PETROLUB SE

Executive Board

S. Fuchs

D. Steinert

Dr. L. Lindemann

Dr. R. Rheinboldt

Dr. T. Reister

3.4 Auditor's opinion

We have audited the Consolidated Financial Statements prepared by FUCHS PETROLUB SE, Mannheim, Germany, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and the notes to the consolidated financial together with the Combined Management Report for the business year from January 1 to December 31, 2016. The preparation of the Consolidated Financial Statements and the Combined Management Report in accordance with IFRSs as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315 a (1) of the German Commercial Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Combined Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Combined Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Combined Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Combined Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the European Union, the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Combined Management Report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, March 15, 2017

KPMG AG Wirtschaftsprüfungsgesellschaft

Krauß	Herbel
Auditor	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 2017 Annual General Meeting:

Proposal for the appropriation of profits

in €	
Distribution of a dividend of €0.88 for each ordinary share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	61,160,000.00
Distribution of a dividend of €0.89 for each preference share entitled to dividend payments on the balance sheet date; these are 69,500,000 shares, corresponding to	61,855,000.00
	123,015,000.00
Transfer to other retained earnings	7,646,966.20
Unappropriated profit (HGB) of FUCHS PETROLUB SE	**130,661,966.20**

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 PETROLUB 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 accounted for using the equity method," 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.

ROCE
Abbreviation for "return on capital employed" (EBIT in relation to capital employed).

Subsidiary
Company that is controlled by another company.

Volatility
Volatility is the measure of how much the price of securities or exchange rates has moved around the mean price over a certain period of time.

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Financial calendar

Dates 2017

March 21	Annual report 2016
April 28	Interim report as at March 31, 2017
May 5	Annual General Meeting in Mannheim
May 8	Swiss information event in Zurich
August 1	Interim report as at June 30, 2017
October 27	Interim report as at September 30, 2017

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

Annual General Meeting 2017

The Annual General Meeting will take place on Friday, May 5, 2017, at 10:00 am in the Mozart Room of the Rosengarten Congress Center, Rosengartenplatz 2 in 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 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 the event 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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Results of operations										
Sales revenues (by company location)	2,267	2,079	1,866	1,832	1,819	1,652	1,459	1,178	1,394	1,365
Germany	631	569	517	533	517	491	418	346	429	415
International	1,636	1,510	1,349	1,299	1,302	1,161	1,041	832	965	950
Cost of sales	1,416	1,288	1,173	1,142	1,153	1,047	892	721	906	856
Gross Profit	851	791	693	690	666	605	567	457	488	509
in % of sales revenues	37.5	38.1	37.2	37.7	36.6	36.6	38.9	38.8	35.0	37.3
Earnings before interest and tax (EBIT)	371	342	313	312	293	264	250	180	172	195
in % of sales revenues	16.4	16.5	16.8	17.0	16.1	16.0	17.1	15.3	12.3	14.3
Earnings after tax	260	236	220	219	207	183	172	121	110	120
in % of sales revenues	11.5	11.4	11.8	11.9	11.4	11.1	11.8	10.3	7.9	8.8
Assets / equity and liabilities										
Balance sheet total	1,676	1,490	1,276	1,162	1,109	985	894	746	704	715
Shareholders' equity	1,205	1,070	916	854	782	658	546	393	315	326
Equity ratio	71.9	71.8	71.7	73.5	70.5	66.8	61.0	52.7	44.8	45.6
Cash and cash equivalents	159	119	202	175	144	79	92	90	19	64
Financial liabilities	13	18	16	8	9	14	20	58	124	72
Net liquidity	146	101	186	167	135	65	72	32	–105	–8
Pension provisions	35	33	36	16	26	16	74	84	71	67
FUCHS Value Added (FVA)										
FUCHS Value Added (FVA)	257	246	230	222	208	186	183	117	110	137
Cash Flow / investments / research and development										
Cash inflow from operating activities[1]	300	281	255	221	203	89	133	206	60	152
Cash outflow from investing activities[1]	–136	–219	–67	–71	–63	–30	–55	–25	–52	–24
thereof acquisitions	–41	–170	–22	0	–1	0	–31	–5	–11	–4
Free cash flow	164	62	188	150	140	59	78	181	8	128
Investments in property, plant and equipment and intangible assets	93	50	52	70	61	36	32	30	47	24
Depreciation of property, plant and equipment and intangible assets (scheduled)	47	39	30	28	27	26	23	20	19	19
Research & development expenses	44	39	33	31	29	28	25	22	23	24

FUCHS Group

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Employees										
Number of employees (average)	4,876	4,368	4,052	3,846	3,754	3,646	3,534	3,587	3,864	3,807
Germany	1,409	1,314	1,213	1,180	1,143	1,086	1,010	1,003	1,073	1,044
in %	28.9	30.1	29.9	30.7	30.4	29.8	28.6	28.0	27.8	27.4
International	3,467	3,054	2,839	2,666	2,611	2,560	2,524	2,584	2,791	2,763

FUCHS Shares
Amounts in €

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Earnings per share [2]	Ordinary	1.86	1.69	1.57	1.53	1.45	1.28	1.20	0.85	0.74	0.77
	Preference	1.87	1.70	1.58	1.54	1.46	1.29	1.21	0.86	0.75	0.78
Dividend per share [2,3]	Ordinary	0.88	0.81	0.76	0.69	0.64	0.49	0.44	0.28	0.26	0.24
	Preference	0.89	0.82	0.77	0.70	0.65	0.50	0.45	0.29	0.27	0.25
Dividend distribution (in € million) [3]		123	113	106	97	92	70	63	40	37	37
Share buyback (in € million)		0	0	76	22	0	0	0	6	67	51
Stock exchange prices on December 31 [2]	Ordinary	36.95	37.69	31.74	30.90	26.50	15.06	16.45	10.11	6.52	10.48
	Preference	39.88	43.50	33.30	35.52	28.10	16.91	18.48	10.80	5.67	10.10

[1] From 2013 on, dividends received from companies consolidated at equity are shown under cash flow from operating activities (previous investing activities).
[2] Prior-year figures adjusted for capital measures (bonus shares, share splits, increases in capital stock) to provide better comparability.
[3] Dividend proposal for 2016.

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