

2013

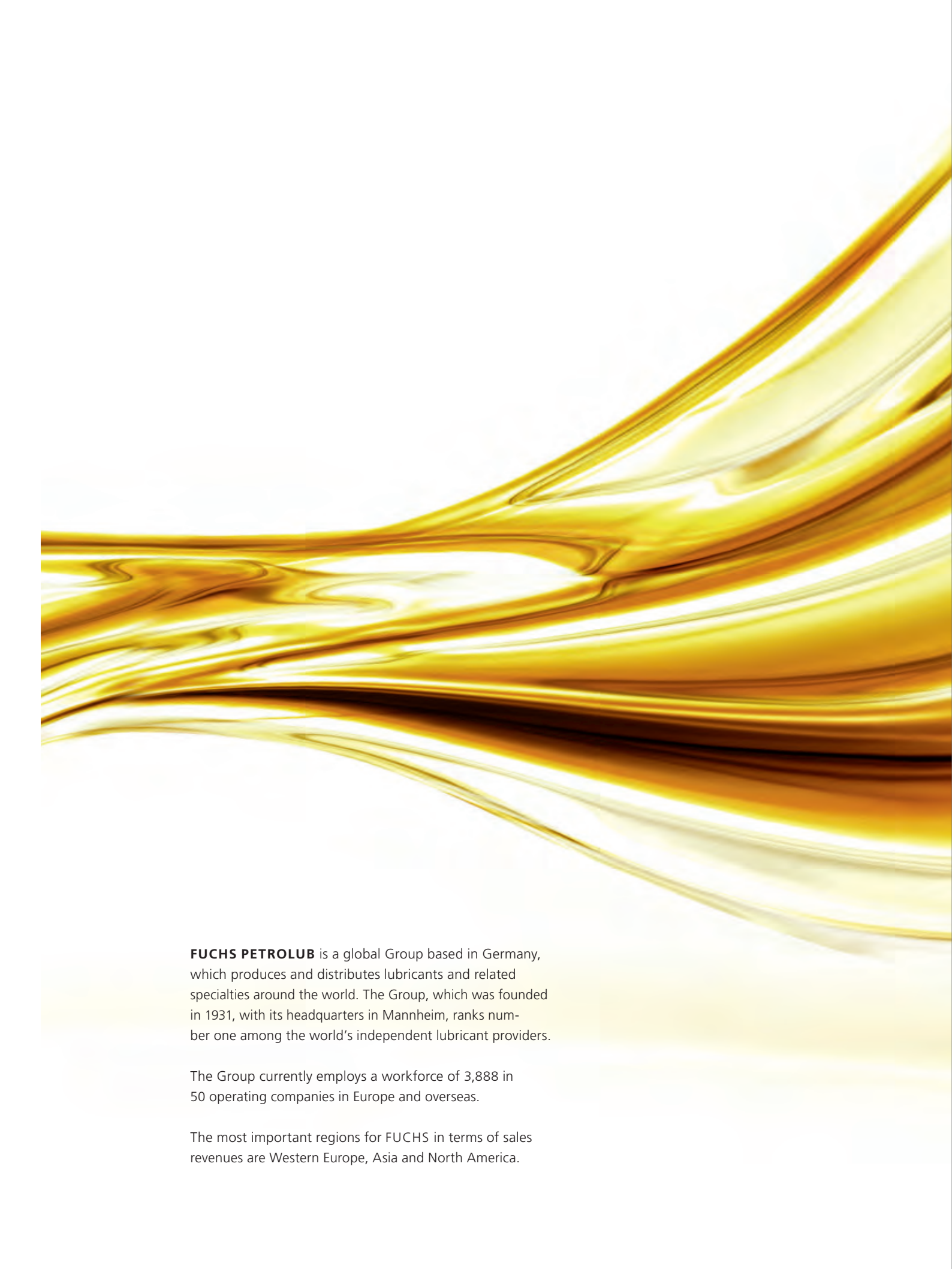
Growing  
together

ANNUAL REPORT



LUBRICANTS.  
TECHNOLOGY.  
PEOPLE.



The background of the page is an abstract, artistic representation of flowing golden liquid. The liquid is depicted with smooth, undulating waves that create a sense of movement and depth. The color palette is a range of golds, from bright, almost white highlights to deep, dark brown tones, giving it a rich, metallic appearance. The overall effect is one of elegance and fluidity, likely intended to represent the lubricants produced by the company.

**FUCHS PETROLUB** is a global Group based in Germany, which produces and distributes lubricants and related specialties around the world. The Group, which was founded in 1931, with its headquarters in Mannheim, ranks number one among the world's independent lubricant providers.

The Group currently employs a workforce of 3,888 in 50 operating companies in Europe and overseas.

The most important regions for FUCHS in terms of sales revenues are Western Europe, Asia and North America.

For 83 years, we have been concentrating all of our efforts and ideas on the development of innovative

lubricants.

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We provide special lubricant solutions in market niches and offer our customers support in the world's key

growth countries.

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Our local presence, coupled with the expertise and special

understanding of values

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displayed by our employees, enables us to cater to individual

customer requirements

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with tailor-made products. In this endeavor, we strive to utilize the strength of our global network and continue to grow as group. This is how we generate sustainable added value for our customers and all other stakeholders.

# FUCHS at a glance

## FUCHS PETROLUB GROUP

Amounts in € million	2013	2012	Change in %
<b>Sales revenues<sup>1</sup></b>	<b>1,831.6</b>	<b>1,819.1</b>	<b>0.7</b>
Europe	1,104.2	1,080.7	2.2
Asia-Pacific, Africa	497.9	486.8	2.3
North and South America	307.3	320.3	-4.1
Consolidation	-77.8	-68.7	13.2
<b>Earnings before interest, tax and income from companies consolidated at equity</b>	<b>298.8</b>	<b>278.8</b>	<b>7.2</b>
in % of sales revenues	16.3	15.3	
<b>Earnings before interest and tax (EBIT)</b>	<b>312.3</b>	<b>293.0</b>	<b>6.6</b>
<b>Earnings after tax<sup>2</sup></b>	<b>218.6</b>	<b>207.0</b>	<b>5.6</b>
in % of sales revenues	11.9	11.4	
<b>Investments in long-term assets</b>	<b>72.8</b>	<b>71.4</b>	<b>2.0</b>
in % of scheduled depreciation <sup>3</sup>	253	227	
<b>Gross cash flow</b>	<b>224.6</b>	<b>219.0</b>	<b>2.6</b>
<b>Shareholders' equity</b>	<b>853.5</b>	<b>781.7</b>	<b>9.2</b>
in % of balance sheet total	73.5	70.5	
<b>Balance sheet total</b>	<b>1,162.0</b>	<b>1,108.7</b>	<b>4.8</b>
<b>Employees as at December 31</b>	<b>3,888</b>	<b>3,773</b>	<b>3.0</b>
<b>Earnings per share (in €)</b>			
Ordinary share	3.06	2.90	5.5
Preference share	3.08	2.92	5.5
<b>Proposed dividend/dividend (in €)</b>			
per ordinary share	1.38	1.28	7.8
per preference share	1.40	1.30	7.7

<sup>1</sup> By company location.

<sup>2</sup> Previous year's figures adjusted, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>3</sup> Capital expenditure excluding financial assets.

## GROUP STRUCTURE

The Group is headed by the central-management controlling company, FUCHS PETROLUB SE, which predominantly owns subsidiaries directly at 100%.

On December 31, 2013, the Group comprised 50 operating companies. The consolidated financial statements also include non-operating holding companies, management companies and real-estate companies, thus increasing the number of consolidated companies to 52. Of the 50 operating companies, five conducted their business activities in Germany and 45 abroad.

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



Results of operations  
of the regions

# Group companies and production locations

## PRODUCTION LOCATIONS



## GROUP COMPANIES AND PRODUCTION LOCATIONS

As at December 31, 2013	Group companies <sup>1</sup>	Production locations
Germany	5	6
Other European countries	22	7
Asia-Pacific	17	8
Africa	1	1
North America	3	7
South America	2	2
<b>Total</b>	<b>50</b>	<b>31</b>

<sup>1</sup> Operating companies.

# Content



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portraits of FUCHS employees



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# TOP

## PERFORMANCE

Medical engineering is an exciting growth sector. FUCHS develops high-performance cutting fluids for the manufacture of implants and has been able to impress a group of discerning customers with its innovative power.

[Text by Silke Wernet](#)

The field of medical engineering is booming. This can largely be attributed to the ever-increasing life expectancy of human beings and a heightened sense of awareness for health issues, as well as the rapid population growth being encountered in the emerging markets, which stimulates demand. However, the recent growth in this sector would not even be possible without the specialized production technology now available.

The global market for medical equipment, surgical instruments, and in particular implants, which can significantly improve the quality of life for patients, generated revenue of around €221 billion in 2012 and is growing at a steady rate of around 7% per year. The US represents the largest market and, with revenue of around €22 billion, Germany was the number three player in the global business. Medical engineering is a sector of the future, for which FUCHS EUROPE SCHMIERSTOFFE has been developing innovative, high-performance products for more than ten years.

The requirements of cutting fluids in the medical engineering sector are vast. Besides stainless steels, the sector is now increasingly using titanium and cobalt alloys in the manufacture of implants. These materials excel through their strength, but precisely this strength also makes the metal cutting processes employed during production, such as drilling or milling, more difficult. This requires engineering excellence which is also needed from the cutting fluid. To this end, the specialists at FUCHS develop solutions tailored specifically to the respective process or application. "We take the highly specific requirements of our customers into our laboratory," explains Frank Thomas, Head of the "Non water miscible cutting and quenching fluids" unit. "Quality", adds Dr. Christine Fuchs, Head of Global R&D, "is immensely important in this regard."



» We can supply the medical engineering market at a very high level and on a global scale. «

Dr. Christine Fuchs, Head of Global R&D, FUCHS EUROPE SCHMIERSTOFFE

Besides the specific performance, FUCHS therefore also carries out comprehensive, in-depth tests of the long-term availability of the raw materials used, as well as their compatibility for human beings.

#### CYTOTOXICOLOGICAL TESTS

Manufacturers of knee and hip implants or dental implant pins always ensure that their products are absolutely media-free and sterile before they are implanted in the human body. However, a microscopic amount of residue, for example from a cutting fluid, can lead to potential complications, even after extremely intensive cleaning. "This is a highly sensitive sector, for which we pre-screen our raw materials and subject them to rigorous testing procedures," stresses Frank Thomas. The influence of all cutting fluids is therefore tested thoroughly, including their influence on cell growth. Products that have passed the test include PLANTOCUT 10 SR, a cutting fluid made from synthetic ester oils based on renewable raw materials that is kind to skin and quickly biodegradable. "These cytotoxicological tests offer manufacturers and users the highest degree of security," stresses the chemical engineer. "And they are a USP that helps us stand out from the rest of the market." This also applies to service, as FUCHS offers a complete all-around package – from initial consulting, all the way through to regular process checks on the customer's premises.

#### GLOBAL EXCHANGE

Our specialist knowledge of these cutting fluids is not reserved exclusively for our own laboratories. Indeed, a comprehensive international employee network, which FUCHS is keen to further expand over the course of the next few years, ensures that the results of new research activities and information on innovative technological processes flow into the Group's various locations around the globe. "We have an



left // Spinal implant in the human body.  
 top right // For Head of Development Frank Thomas, medical engineering is a market of the future.  
 bottom right // The basis of success: the right concentration of the right raw material.

excellent global network, which provides us with synergy effects for research and development,” underlines Dr. Christine Fuchs. “And we are able to guarantee our high quality standards worldwide.”

The chemical engineer is keen to stress that these synergies have also been filtering through to other sectors for some time. For example, FUCHS has already been able to gather valuable experience in the field of titanium cutting for the aerospace industry, which proved extremely useful to the experts when developing cutting fluids for the field of medical engineering. The Head of R&D and her colleague agree: “FUCHS is present in many fields, and we all draw benefits from the comprehensive overall experience within the company.” The two staff members were therefore able to

pass on their own special knowledge to other fields too – for example the automotive industry, which is increasingly requiring high strength and heat-resistant materials due to the trend toward lightweight construction and downsizing.

#### **THE FUTURE LIES IN MAGNESIUM**

Whenever taking a look into the future of medical engineering, researchers and developers quickly turn to the topic of magnesium alloys. Screws and plates made of magnesium can be fully broken down by the human body. In future, a broken bone may then no longer require any further surgical intervention. This is a potentially far-reaching future technology, for which FUCHS already has suitable products in its portfolio and which can make the whole experience far less stressful for patients. ■

# GROWTH COURSE

Stefan Fuchs takes a glimpse into a successful future. The Chairman of the Executive Board at FUCHS explains how the company is set to grow with a focus on technology and sales – and the important role of the employees.

**Mr. Fuchs, the motto of this annual report is “growing together”. What does this statement mean for the company and for you personally?**

I really like the double meaning. We are keen to get stronger as a company, while also growing together more closely within the Group. The key here is for us to see ourselves as one worldwide team and utilize our strengths. In terms of achieving healthy growth, economic success is just as important as having an effective corporate culture.

**Where do the challenges lie when it comes to growing together as a unit?**

In China, for example, where we have been operating for 30 years, we have a lot of relatively young employees. We are keen to include all of them as well as our new colleagues at other foreign subsidiaries in our FUCHS culture to secure the company’s success. At the same time, we also need to advance the reputation and recognition of the entire Group with its locations and regions, so that we can act as a unit.

**What are the most important pillars of your growth strategy for the next few years?**

We are strengthening our global infrastructure by adding new production sites in growth markets, such as China and Russia, and in the future Brazil and Turkey. In addition to this, we are investing a great deal to both optimize

and modernize our existing facilities, such as Chicago. The significant investments in research and development are most obviously apparent at our new development center in Mannheim. In parallel, we are focusing on our customers: we are keen to make their processes more efficient. In order to implement this, we are establishing ourselves even more as a technology-driven company with a strong focus on sales.

**How important are the company’s employees in this regard?**

They play a key role, which is also expressed in our mission statement. We welcomed many new colleagues in the field of research and development and are still recruiting. Also in sales we will continue to recruit. Finding skilled and qualified employees is not easy, especially since we need so many. However, we have recruited 400 new employees worldwide in the last four years alone.

**Your mission statement is “LUBRICANTS. TECHNOLOGY. PEOPLE.” To what extent do these three pillars contribute to improving the company’s culture and economic success?**

The mission statement describes our business model. We focus on producing lubricants and supplying tribologic solutions. We are technology-driven and interested in process-oriented solutions for our customers. Our employees are what makes the difference. Our model is based on our five core



» We want to establish ourselves more as a technology-driven company with a strong focus on sales. «

**Stefan Fuchs, Chairman of the Executive Board**

values: trust, creating value, respect, reliability and integrity, which we pursue both internally and externally.

#### **In which markets are you looking to grow?**

Everywhere. However, we already have a relatively high market share in mature markets such as Germany, which makes further growth somewhat more difficult. This has not stopped us achieving excellent results there and also in Italy, France and England in 2013. In addition to this, we are increasing our sales revenues significantly in growth regions such as China and see further opportunities in North and South America. Our broad regional base and the fact that we cater to many different specialist areas will allow us to continue our growth policy.

#### **Where do you see the company in ten years?**

Our company has enjoyed sound development in the last few years, having recorded organic growth and continually improved our profits. This is exactly the kind of performance we are keen to continue in future, which is why we are making long-term investments. With a global market share of just under 2%, there is still plenty of growth potential to be tapped. We will implement our focused sales philosophy even more efficiently and make further use of the advantages offered by being a global Group. We are continuing to expand our business on a global scale and are well equipped for the future.

**The interview was conducted by Marc-Stefan Andres.**

# FUCHS PETROLUB **IN FIGURES**

**11 years**  
is the average term of service in the Group

**3.2%**

employee turnover rate (2012: 3.5%)

# 10%

of employees work in  
research and development

# €222 million

higher earnings than cost of capital generated by FUCHS  
in 2013. FUCHS Value Added (FVA) is the Group's  
central key performance indicator (2012: €208.2 million).

# 23%

is the average increase in  
dividends over the last ten years.






# ON THE PULSE

FUCHS' new facility in China is just half an hour away from the old manufacturing location. It is generously dimensioned, highly automated, and technologically state-of-the-art. The new facility is one of the largest production locations in the FUCHS Group and represents another milestone in the global growth initiative.

Text by Marc-Stefan Andres



Plant manager Chang Jianhui in Yingkou. China's economy is enjoying rapid growth – and with it companies like FUCHS China.

The journey takes us over long, arrow-straight asphalt. Newly constructed roads branch off to the right and left, passing by large, as yet undeveloped plots of land. The Bohai Gulf, a part of the Yellow Sea, is just a few miles away. In a few years, the chemical park located near the coast in Yingkou will be completely full – just like most of the other industrial settlements in China. The economy is growing very quickly – and with it companies such as FUCHS China, which is now set to begin production operations at an ultra-modern facility in the port city located in Northeast China.

“We are absolutely delighted to finally be able to start work in the new halls,” comments Chang Jianhui. The 42-year-old is head of the manufacturing operations in Yingkou, one of the largest production locations in the FUCHS Group. Covering a total area of around 860,000 square feet, the plant is nearly the size of the main facility in Mannheim. The location completely replaces the old one in the city center, which began production 25 years ago and was initially only capable of supplying 200 tonnes per year.

Construction work on the new facility was completed in only two years. FUCHS invested more than €24 million to be able to produce lubricants for vehicle manufacturers and automotive suppliers, the steel industry, the mining industry, the food industry, as well as the fields of transport and agriculture. This is a calculated investment, as the market in China is constantly growing. Indeed, business with international and national companies in China contributes just under half of

the company’s sales revenue in the Asia-Pacific, Africa region – and thereby around 13% of total Group sales revenues. More than 300 employees work at the headquarters (HQ) in Shanghai, the facility in Yingkou and more than 15 branch offices, as well as a large number of local warehouses.

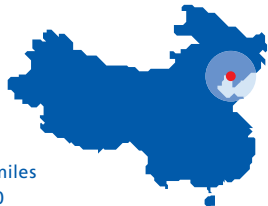
#### PLENTY OF SCOPE FOR FURTHER GROWTH

“There were two reasons why we wanted to construct a new facility. Firstly, we had grown massively and needed more space. And secondly, the city declared the area in which we were manufacturing as a purely residential zone,” explains Zhu Qingping, Head of FUCHS China. This is nothing unusual in China, as the country’s cities are constantly growing. For example, Yingkou, which is just over 1,000 miles from the FUCHS HQ in Shanghai, now has 2.5 million residents. The city has more or less grown around the production facility since it was opened. “We have enjoyed excellent cooperation with the Chinese authorities over the years and were therefore able to locate an ideal plot of land for the new facility with the support of the administration,” explains the 51-year-old, who joined FUCHS four years ago and was previously able to gather a great deal of experience at one US and one Chinese automotive supplier. He is very satisfied with the choice. “We have a good transport infrastructure and enough space to grow.” We are already in a position to increase production, which is set up in modules, year-on-year. The site also offers expansion potential.

The new location looks impressive. When viewed from a distance, it is easy to make out the round gray tanks that hold around 150 different base oils and more than 1,000 chemical additives. These are also hard to tell apart from the slightly smaller containers used to store finished products, such as engine, transmission or machine oils for automotive manufacturers or other industrial enterprises. The process used in the factory sounds relatively straightforward, as it is simply a matter of mixing oils and chemicals together in temperature controlled vessels. However, the special expertise of FUCHS lies in the detail. The precise composition of the mix and the fine nuances in the processing steps ensure a high quality product. “We produce around 2,000 products in this way for various applications,” explains Zhu Qingping.

## Yingkou

Location: Approximately 375 miles east of Beijing  
 Area: Approximately 1,900 square miles  
 Residents: Approximately 2,500,000  
 Opening of new facility: 2013  
 Employees: Approximately 150





top // The new production halls are generously dimensioned and perfectly set up for the processes.  
 bottom left // Zhu Qingping, Head of China at FUCHS.  
 bottom right // New tank farm for 150 base oils.

He believes that the new facility will provide a powerful impetus to implement the key maxims of his work even more effectively: quality in production, service for customers and product technology at competitive prices. Only when these work in harmony can FUCHS achieve the targets it has set itself in China. "We need to produce a product of outstanding quality that is always consistent and for which customers are willing to pay a fair price," adds Zhu Qingping. This provides an indication of the perfectionism with which the team in China works. "We have a measured customer satisfaction

rate of about 98%, which we are keen to improve even further. One example: our products need to be of the highest quality so that we can achieve this target." All of the processes are geared toward this. "We always comply with standards, which also requires us to select our suppliers very carefully and then continually train them."

Maintaining a keen customer focus is equally as important. "We not only offer perfect products, but also solutions," explains Zhu Qingping. For example our partners from the



» We are keen to grow in China, both with international and local customers.«

Klaus Hartig, Executive Vice President FUCHS EAST ASIA

heavy industry or automotive sector are not experts when it comes to oils and greases. Instead, they generally focus their efforts on keeping tight control over their own processes. "We support them in continually improving these processes and also optimizing our own portfolio. Simply selling a product is not enough in our opinion." For example, 24 staff members are currently working in-house at a major German automotive manufacturer to ensure that the FUCHS products are always used in the right places within the large machine pool in operation.

The technologies utilized by FUCHS also have the added advantage that they create value for customers. "This makes our products slightly more expensive, which we obviously first have to explain to our customers. Buying our products brings a significantly higher benefit," comments Zhu Qingping.

Works manager Chang Jianhui believes that the new facility will help both him and his team achieve this. With his double bachelor's degree in polymer chemistry and industrial management, he is well prepared to meet all the requirements associated with his position, including understanding and further developing technologies – while at the same time securing economic production. Chang Jianhui was heavily involved in the processes for equipping, installing and later also fitting out the facility. This has helped him establish a high degree of identification with the manufacturing operations. In fact, Chang Jianhui is so involved that he actually refers to the new halls as "heaven" – because they are so generously dimensioned and perfectly set up for the processes.

There are lots of differences from the old facility – where the main storage area was located some 20 minutes away from

the production operations. At the new location, the warehouse is integrated into the facilities. The new equipment which has been installed in the high ceiling halls also provides a significantly higher degree of automation. "We can operate the new facility with the same number of staff members as the old one," explains Chang Jianhui. The subsidiary FUCHS CHINA employs a total of 336 people, around 30 of whom work in production.

#### **CORPORATE CULTURE MOTIVATES EMPLOYEES**

Personnel is one of the most important factors for FUCHS, explains Chang Jianhui, who previously worked for a US mineral oil group. He knows what he is talking about here, as he has experienced it first-hand. "I was really keen to join the company, as I had heard so many positive things about it. I already felt confident that I had made the right decision during the interview, and this initial impression was then confirmed when I started work here," comments the plant manager, who joined FUCHS in 2013. His employer is highly specialized in its processes and products, which he finds great. "But above all, the company relies heavily on its workforce, in which it places a great deal of trust. This is something that continually motivates me."

Klaus Hartig likes to hear this, as he also relies on a well-trained and efficient team. "Finding the right people for this is not easy in China", explains FUCHS' Head of Asia, who is responsible for Japan, Korea, and China. "In certain areas, in particular sales and technology, the battle for the best staff is in full flow, as there is a great deal of competition among the various employers." This is another reason why FUCHS has a high quota of international employees in China, including staff from Italy, France, Great

Britain, Australia, Singapore, Nepal, Japan, Russia, and of course China and Germany. “We invest a great deal in qualifications, further training, and personnel recruitment to help secure the best candidates.” Last year, the company invested as much into coaching programs in one year as it had in the previous seven years – a clear statement regarding the importance of its personnel.

Hartig considers the new facility to offer ideal conditions for achieving the clear objectives that FUCHS has in Asia. “We are just as keen to grow with the international companies we supply here in China as the Chinese companies that purchase our products.” These two customer groups currently repre-

sent around one half each – which Hartig believes to be a healthy mix, as they both still offer good growth opportunities.

At the same time, the quality that other companies in China can now offer has also improved drastically. “Chinese companies have their own, excellent technologies,” stresses Hartig. The larger enterprises in particular are likely to increasingly expand across the Asian markets in the mid term, but then also focus on other markets such as South Africa or Brazil further down the line. “We will accompany them throughout the world. With our broad network and many locations worldwide, we can also demonstrate our skills and capacities as a good partner.” ■

## Chicago: Major investment



Location: On the southwestern shore of Lake Michigan  
 Area: Approximately 230 square miles  
 Residents: Approximately 2,700,000  
 Modernization and expansion of the facility: Since 2012  
 Employees: 160

FUCHS is investing €23 million in the expansion and modernization of the facility at its central location in Harvey near Chicago. The US subsidiary has expanded its mixing plant, installed a fully automatic high-rack warehouse and set up ultra-modern LUBRODAL production facilities. An important aspect in this regard is that the new processes reduce airborne emissions and thereby help the company achieve its environmental protection targets. Thanks to these investments, FUCHS USA forms the foundation for future growth.

## Kaluga: Modern production



Location: Approximately 125 miles south-west of Moscow  
 Area: Approximately 65 square miles  
 Residents: Approximately 325,000  
 Opening of new facility: 2013  
 Employees: 20

A state-of-the-art production plant was constructed in the Russian city of Kaluga within just two years. FUCHS invested more than €15 million here. The facility complies with the strictest standards in terms of quality, security, and environmental protection. The subsidiary FUCHS OIL RUSSIA, which operates offices in Moscow, St Petersburg, Yaroslavl, and Jekaterinburg, offers a wide range of lubricants – for example supplying both local and international customers from the automotive industry, the steel industry, the mining industry, the automotive supply industry, the food industry, as well as the transport and agriculture sectors.



Arleta Cegielska | trainee  
FUCHS EUROPE SCHMIERSTOFFE | Germany

#### TRUST

Fair and open dealings with one another are valued highly at FUCHS. Mutual trust is the basis for teamwork. This was the experience of Arleta Cegielska from the very beginning. "Although we are still trainees, a great deal of trust is placed in us, even by managers," emphasizes the prospective office clerk, who works at the Group headquarters in Mannheim. And this is also the case when working independently. "Our factory shop is a good example of this," says the 21-year-old, "as it is fully run by trainees."

# VALUES

»LUBRICANTS. TECHNOLOGY. PEOPLE.« The mission statement stands for the FUCHS business model and is founded on five elementary values. These point the way in the day-to-day work of employees all over the world.

#### CREATING VALUE

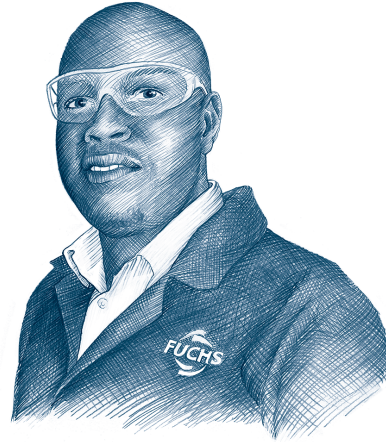
The people at FUCHS delight Steve Puffpaff. "They work with such great commitment every day – not just for the company, but also for our customers with their specific needs," explains the President and CEO, who is responsible for the North American business in the Group. He describes how the FUCHS employees are always on the lookout for the best possible solution. "Together with leading technologies, our top-quality products and first-class service, we create added value for our customers," stresses the 45-year-old. "The employees play a significant part in this and can be proud of their efforts."



Steve Puffpaff | President and CEO  
FUCHS LUBRICANTS (CO.) | USA

## RESPECT

Tebogo Mokoena likes to get to the heart of the matter: "I always wanted to know which individual components are behind chemical products." At FUCHS the 31-year-old turned this passion into a career and feels very happy in his role as a Laboratory Manager. "Recognition," says the South African, "and the appreciation of every staff member are especially important in my day-to-day work." The chemist, who has worked in the Group since 2008, believes that these values are firmly anchored in the corporate culture. "If we respect one another, we will achieve our goals together."



Tebogo Mokoena | Laboratory Manager  
FUCHS LUBRICANTS (S.A.) | South Africa



Cristina Delmastro | Marketing Assistant  
FUCHS LUBRIFICANTI (S.P.A.) | Italy

## RELIABILITY

The Italian Cristina Delmastro has worked for FUCHS since 1996. Today, the Marketing Assistant experiences a Group in which the mission statement and its values are lived to the full at all levels and departments. "We have a very exact idea of this corporate culture and understand it as our mission," remarks the 39-year-old, who sees it as one of the strengths of the FUCHS Group. It is also apparent in the relationship with customers and suppliers: "They can all count on our reliability. Regardless of whether it's about day-to-day cooperation or the quality of our products."

## INTEGRITY

Roman Brandys previously worked in the mining industry. When he wanted to make a career change 18 years ago, he joined FUCHS. Today the Czech maintains intensive contact with customers as an Industry Sales Representative and knows that customers particularly value a partner who acts with integrity. He therefore follows the Code of Conduct which is based on moral values and serves as a guide for all employees. "It has a very positive influence on my work," says the 45-year-old, who also sees teamwork as another important element in global business.



Roman Brandys | Sales Representative Industry  
FUCHS OIL CORP. (CZ) | Czech Republic

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[mobile.fuchs-oil.com](http://mobile.fuchs-oil.com)

Reference to our mobile website.  
Scan the QR code with your smartphone  
for information on FUCHS in just  
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Ten-year overview
Financial calendar



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# 1

## MANAGEMENT & SHARES

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# Letter to our shareholders

Dear shareholders,

In 2013, the Group was able to generate record earnings for the fifth consecutive year after the decline due to the crisis in 2008. The growth initiative we launched six years ago is bearing fruit. Sales revenues grew organically by 4% thanks to sound volume developments. The Asia-Pacific region generated the biggest growth, although the two other global regions also recorded increases. Earnings before interest and tax (EBIT) increased by almost 7%, in particular due to positive contributions from Western Europe and Asia.

Further improved earnings and balance sheet figures motivated us to propose another increase in dividends of just under 8% for the year 2013 to the Annual General Meeting. This would make the dividend increases of the last three years in excess of 50%. In addition to this, we also launched a share buyback program at the end of 2013 with a scope of €100 million. Almost a quarter of this volume had been completed by the end of 2013. These measures are based on our confidence in further profitable growth of FUCHS PETROLUB.

Our growth initiative is globally aligned and focuses on various sales activities. Numerous new hirings in the areas of sales and research, as well as investments in our key facilities, in emerging markets and in our research and development capacities form the basis for these activities. In the last four years, we have created 400 new jobs. Over 70% of all new staff were recruited in the areas of sales and research & development. In the last two years, we have also made record investments of approximately €70 million per year. Two key items to highlight in this regard are our large-scale facilities in Yingkou/China and Kaluga/Russia, both of which were completed in 2013. These two locations were ceremonially inaugurated and will commence full production in the first half of 2014. We also successfully completed investments at our Chicago location in 2013, having installed an automated high-bay warehouse and established a new site for production of die lubricants for the forging industry.



Stefan Fuchs, Chairman of the Executive Board

Our motivated and loyal worldwide workforce is the key to our success. In 2013 we embedded our corporate mission statement LUBRICANTS.TECHNOLOGY.PEOPLE. further and more deeply within our organization. It is built on our five core values of trust, creating value, respect, reliability and integrity. Promoting talent as well as training and developing skilled personnel in our global network were important concepts in this regard. The open and significantly more efficient communication established in our global research and development activities represents another key improvement achieved in 2013. This interaction helps us react to customer requirements more quickly and with greater innovation, while also aligning production processes, quality standards, and our range of raw materials more effectively with one another across the globe.

For 2014, we are once again planning to increase sales revenues and earnings in all global regions. However, this is subject to further positive development of the global economy, despite the known risks. We anticipate stable raw material costs and are working on a large number of promising customer projects. In addition to this, we will examine and if applicable utilize opportunities that arise from the consolidation of the lubricants industry.

On behalf of my colleagues on 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 would also like to take this opportunity to thank all employees for their personal contributions in 2013 and for their excellent teamwork.

Mannheim, March 19, 2014

Yours 

Stefan Fuchs  
Chairman of the Executive Board

# Organization

## CORPORATE BOARDS



Information on the  
Corporate Boards

### SUPERVISORY BOARD

<b>Dr. Jürgen Hambrecht</b> Neustadt an der Weinstraße	Chairman Former Chairman of the Executive Board of BASF SE
<b>Dr. Dr. h. c. Manfred Fuchs</b> Mannheim	Deputy Chairman Former Chairman of the Executive Board of FUCHS PETROLUB SE
<b>Ines Kolmsee</b> Tutzing	Chairwoman of the Executive Board at SKW Stahl-Metallurgie Holding AG
<b>Horst Münkel*</b> Mannheim	Chairman of the joint works council of FUCHS EUROPE SCHMIERSTOFFE GMBH
<b>Lars-Eric Reinert*</b> Altenholz	Chairman of the European SE works council and the Group works council of FUCHS PETROLUB SE
<b>Dr. Erhard Schipporeit</b> Hannover	Former member of the Executive Board of E.ON SE

### COMMITTEES OF THE SUPERVISORY BOARD

#### Personnel Committee

Dr. Jürgen Hambrecht (Chairman)  
Dr. Dr. h. c. Manfred Fuchs (Deputy Chairman)  
Ines Kolmsee

#### Audit Committee

Dr. Erhard Schipporeit (Chairman)  
Dr. Dr. h. c. Manfred Fuchs  
Ines Kolmsee

#### Nomination Committee

Dr. Jürgen Hambrecht (Chairman)  
Dr. Dr. h. c. Manfred Fuchs (Deputy Chairman)  
Ines Kolmsee  
Dr. Erhard Schipporeit

\* Employee representative

**EXECUTIVE BOARD**

**Stefan R. Fuchs**  
Hirschberg

Chairman

**Dr. Alexander Selent**  
Limburgerhof

Deputy Chairman

**Dr. Lutz Lindemann**  
Kerzenheim

Member

**Dr. Georg Lingg**  
Mannheim

Member

**Dr. Ralph Rheinboldt**  
Heddesheim

Member







## THE EXECUTIVE BOARD

### **DR. ALEXANDER SELENT**

Age 61, 15 years at FUCHS

DEPUTY CHAIRMAN OF THE  
EXECUTIVE BOARD

- Finance, Controlling
- Legal, Taxes, Human Resources
- Investor Relations, Compliance
- IT, Internal Auditing

### **DR. GEORG LINGG**

Age 49, 18 years at FUCHS

MEMBER OF THE EXECUTIVE BOARD

- Region Asia-Pacific and Africa
- International Mining Business

### **STEFAN R. FUCHS**

Age 46, 17 years at FUCHS

CHAIRMAN OF THE EXECUTIVE BOARD

- Corporate Development, Senior Management
- Region North America
- FUCHS LUBRITECH Group
- Public Relations, Sustainability

### **DR. LUTZ LINDEMANN**

Age 53, 15 years at FUCHS

MEMBER OF THE EXECUTIVE BOARD

- Technology
- Supply Chain Management
- Region South America
- International OEM Business

### **DR. RALPH RHEINBOLDT**

Age 46, 15 years at FUCHS

MEMBER OF THE EXECUTIVE BOARD

- Region Europe



Allocation of duties

## GROUP MANAGEMENT COMMITTEE

Stefan R. Fuchs

Dr. Alexander Selent

Dr. Lutz Lindemann

Dr. Georg Lingg

Dr. Ralph Rheinboldt

Bernhard Biehl

■ FUCHS LUBRITECH Group

Klaus Hartig

■ Region East Asia

Stefan Knapp

■ Region Germany

Carsten Meyer

■ Global OEM Division

Steve Puffpaff

■ Region North America

Reiner Schmidt

■ Finance and Controlling

Alf Untersteller

■ Region Turkey, Middle East, Central Asia, Africa

# Report of the Supervisory Board

*Dear Shareholders,*

The FUCHS PETROLUB Group can look back on a very successful financial year 2013. It was a year in which the Group again set new records in terms of sales revenues and earnings. The strategy of organic growth is successful.

## **Work performed by the Executive Board and Supervisory Board**

The Supervisory Board performed its monitoring and advisory 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 cooperated fully and effectively in the financial year 2013. 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 2013 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 changes in personnel on either the Executive Board or the Supervisory Board in the financial year 2013.

## **Reports and board meetings**

Two Supervisory Board meetings of FUCHS PETROLUB AG and four Supervisory Board meetings of FUCHS PETROLUB SE were held in 2013. All members of the Supervisory Board took part in these.

The Supervisory Board was regularly, timely, 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 enhancements in accordance with the duties set out in the rules of procedure. Further regular items on the agenda included budget supervision, all significant investment and acquisition projects, the further development of the corporate governance rules, the change in corporate form into an European company (Societas Europaea, SE) and the legal dispute with our joint venture partners in the Middle East. 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.



Dr. Jürgen Hambrecht, Chairman of the Supervisory Board

In the balance sheet meeting on March 19, 2013, the annual and consolidated financial statements of FUCHS PETROLUB AG, the Executive Board's proposal on the appropriation of profits, and the dependent company report were reviewed, discussed, and approved in the presence of the auditor. In this meeting, the Supervisory Board approved the agenda for the Annual General Meeting of FUCHS PETROLUB AG with the proposed resolutions, in particular the proposed resolution to change the corporate form of FUCHS PETROLUB AG into an European Company (SE). In addition, the Supervisory Board looked into the strategy for the growth region of Asia-Pacific and Africa.

In the meeting on May 8, 2013, which was held just before the Annual General Meeting, the Executive Board reported on the business performance of the Group after the end of the first quarter. The constituent meeting of the Supervisory Board of FUCHS PETROLUB SE was held following the Annual General Meeting. During this meeting, the Chairman and Deputy Chairman of the Supervisory Board of FUCHS PETROLUB SE, the members of the individual Supervisory Board Committees, as well as their respective Chairman and Deputy Chairman were all appointed. The Supervisory Board also appointed the members of the Executive Board of FUCHS PETROLUB SE, as well as its Chairman and Deputy Chairman.



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In the meeting held on July 25, 2013, the Supervisory Board examined the 2013 half-year report, as well as the Group Management Report containing information on investment and acquisition projects. Changes in the German **CORPORATE GOVERNANCE** Code and new stock corporation provisions that might come into force in Germany were also on the agenda. This was followed by a presentation by Prof. Dr. h.c. Teltschik on the topic of “The world in turbulence” with a subsequent discussion on the potential implications for FUCHS PETROLUB SE.

The meeting on October 7 and 8, 2013 was held at the Head Quarter of the US subsidiary FUCHS LUBRICANTS CO. in Chicago. The main focus of these meetings were the strategies for the North and South America region. In addition to this, the topic of data security to combat/prevent industrial espionage was discussed and the Supervisory Board was informed of the constituent meeting of the SE works council.

The focus of the meeting held on December 9, 2013 was the 2014 budget, including earnings, the balance sheet, cash flow, investments, and the continuation of the growth initiative for the years 2014 and 2015. Beside this, the Supervisory Board also reviewed the risk management and compliance report, as well as the 2013 **DECLARATION OF COMPLIANCE**. In addition, the Supervisory Board laid down the performance factor for calculating the variable compensation of the members of the Executive Board for the financial year 2013 based on the calculated target achievement. It also set out the targets for the financial year 2014 and adjusted the fixed annual compensation for Executive Board members in 2014. A vertical and horizontal review of the compensation system confirmed its appropriateness.



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#### **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 start of each Supervisory Board meeting. All committee members took part in the committee meetings. The composition of the three committees is presented on page 26.



Corporate Boards

The **Audit Committee** held four meetings in the reporting year. The CFO and the heads of the Finance, Controlling and Accounting departments regularly attended the meetings. The auditors were present at two meetings. The committee focused on the annual and the consolidated financial statements, monitoring of the financial accounting process, the effectiveness of the internal control system, of the risk management system, of the compliance management system, and of the internal audit system, as well as the audit of the financial statements. The interim financial reports were always discussed in detail prior to publication. The Audit Committee also provided the Supervisory Board with a recommendation for the Supervisory Board’s proposal to the Annual General Meeting regarding selection of the auditor. In addition to this, the Audit Committee defined the focuses of the audit for the reporting year, awarded the audit assignment to the auditor, and addressed both the new accounting regulations and current compliance issues. A report was also given on the random inspection performed by the German Financial Reporting Enforcement Panel (DPR), which did not lead to any complaints.

The **Personnel Committee** supports the Supervisory Board in reaching personnel decisions. Two meetings were held in the reporting year. The Personnel Committee addressed in detail the topics of diversity and the appropriate involvement of women in management positions at the company. In addition to this, the committee discussed personnel development throughout the Group, further development of junior managers in the FUCHS PETROLUB Group, and prepared the decisions regarding the compensation, allocation of responsibilities and extension of contracts for members of the Executive Board.

The **Nomination Committee** did not meet in the reporting year.

#### **Audit of annual and consolidated financial statements**

The Audit Committee of the Supervisory Board awarded the audit assignment to KPMG AG Wirtschaftsprüfungsgesellschaft in Mannheim as per the resolution passed by the Annual General Meeting on May 8, 2013. The auditor's declaration of independence was submitted and explained.

The financial statements for the financial year 2013, prepared pursuant to the German Commercial Code (HGB), as well as the management report, the consolidated financial statements prepared pursuant to the **IFRS** international accounting standards to be applied in the EU, and the Group management report of FUCHS PETROLUB SE 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 risk 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 going concern of the company. During the audit, the auditor did not determine any issues/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 company and the Group management reports 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 19, 2013. 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 19, 2014

The Supervisory Board



Dr. Jürgen Hambrecht  
Chairman of the Supervisory Board

# 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. We are keen to confirm this trust in the long term and also continuously further develop corporate governance in the Group.

On multiple occasions 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 and the changes that have been implemented in detail, 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 9, 2013 and made it available to shareholders on the company's website – together with the declarations of previous years (see page 45 of this report).



Text of the declaration  
of conformity



## 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 monitored and advised 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 key business processes – such as specifying annual planning or major acquisitions – the rules of procedures for the Executive Board include gaining approval of the Supervisory Board for its actions.

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 risk management and risk controlling in the company, working 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. At FUCHS, 21% of management positions within the Group are held by women. There are currently no women on the Executive Board. FUCHS strives for systematic and targeted promotion of qualified women considering them appropriately when filling Executive Board and management positions.

\* Part of the Group management report



The Executive Board

The Executive Board at FUCHS PETROLUB SE was made up of five members in 2013. 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 on pages 29 of this annual report.

#### **MONITORING OF CORPORATE MANAGEMENT BY THE SUPERVISORY BOARD**

The Supervisory Board appoints the members of the Executive Board, defines the responsibilities of 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 the 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 employees. The terms of office are identical.

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 monitoring and advising 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 such as FUCHS PETROLUB SE and preserve the reputation of the FUCHS PETROLUB Group in the public arena. In its composition, the Supervisory Board primarily focuses on qualifications and diversity, striving also for appropriate involvement of women. 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 in the sense of Section 5.4.2 of the Code
- Prevention of significant and not only temporary potential conflicts of interest
- The (standard) age limit of 70 years at the time of election is to be considered

The Supervisory Board is of the opinion that it complies with the diversity requirements, as a female ratio of 25% of shareholder representatives on the Supervisory Board has been achieved and the internationality criterion was also fulfilled. The Supervisory Board also believes that it includes an appropriate number of independent shareholder representatives.

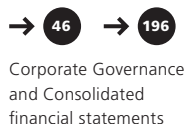
Dr. Dr. h. c. Manfred Fuchs, former member of the Executive Board at FUCHS PETROLUB SE, has been a member of the Supervisory Board since 2004. He is the only member of the Supervisory Board that holds an appreciable share in the company and that has a personal relationship both to the company and its Executive Board. According to the Supervisory Board's rules and procedures, shareholder representatives on the Supervisory Board must always be independent. The members of the Supervisory Board hold or used to hold executive positions at other companies. However, any and all business conducted between FUCHS PETROLUB SE and these companies has always taken place under the same conditions as with third parties (arm's length transactions). In our opinion, these transactions (which together represent around 5% of total sales revenues) do not affect the independence of the members of the Supervisory Board in question.

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 2015.



Organization and Report  
of the Supervisory Board

Information on the composition of the Supervisory Board and its Committees is also provided on page 26 of this annual report. The report by the Supervisory Board on pages 31 onwards provides further details of the work performed by the Board in the reporting year.



The main features of the company's compensation system for members of the Executive Bodies are described on pages 46 and 47 of this report. The compensation for members of the Executive Board and the compensation for the individual members of the Supervisory Board in accordance with Section 314 (1) No. 6 of the German Commercial Code (HGB) are disclosed in the notes to the consolidated financial statements on page 196 ff.

#### **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 are all aligned with the requirements of the Corporate Governance Code and also take into account the binding regulations of the German Stock Corporation Act (AktG).

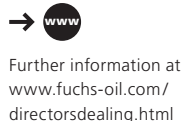
The Personnel Committee and Audit Committee meet several times a year, while the Nomination Committee only convenes for meetings when these are necessary based on its allocation of duties. The respective Chairmen of the Committees regularly report to the Supervisory Board on the work of the Committees.

#### **OWNERSHIP OF SHARES IN THE COMPANY BY MEMBERS OF THE EXECUTIVE AND SUPERVISORY BOARDS**

As at December 31, 2013, Stefan Fuchs held directly and indirectly 4,491,664 ordinary shares. The other members of the Executive Board together held 3,129 ordinary shares and 4,335 preference shares as at December 31, 2013.

As at December 31, 2013, Dr. Dr. h. c. Manfred Fuchs held directly and indirectly 1,177,683 ordinary shares. The other members of the Supervisory Board together held 624 ordinary shares and 3,500 preference shares as at December 31, 2013.

As per Section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and the Supervisory Board are legally obliged to declare any acquisition or sale of shares in FUCHS PETROLUB SE 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-oil.com/directorsdealing.html](http://www.fuchs-oil.com/directorsdealing.html).



### 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 them by law (for example 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 52% 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 codetermination 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 power of attorney.

The Regular Annual General Meeting typically takes place in May. The reports, documents and information required by the law on 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 for 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 Global Diversity Guideline or the FUCHS Sustainability Guide, can be accessed on the Internet at [www.fuchs-oil.com/corporate\\_govern1.html](http://www.fuchs-oil.com/corporate_govern1.html).



Further information at  
[www.fuchs-oil.com/  
corporate\\_govern1.html](http://www.fuchs-oil.com/corporate_govern1.html)



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## 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 or local regulations. Unlawful behavior harbors the risk of damaging the company's image, weakening our market position and even causing us economic harm.

The Corporate Governance and Compliance divisions report directly to the Executive Board. These include a Chief Compliance Officer and a Compliance Organization, which together further develop, guide and implement 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 has since been updated, represents a binding framework for ensuring lawful and social-ethical behavior. 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 guidelines, regular compliance reporting, as well as by the compliance-related inspection procedures of the internal audit department.

## CODE OF RESPONSIBLE CONDUCT FOR BUSINESS – COMMITMENT TO SUSTAINABLE, SUCCESS-DRIVEN AND VALUE-ORIENTED CORPORATE GOVERNANCE

The FUCHS Code expresses a common position of the leadership 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.

FUCHS PETROLUB SE also 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 Code explicitly addresses critical points that have been the subject of public debate, such as profits and morals, job cuts, manager remuneration and violation of rules. By signing this Code, the Executive Board has underlined its commitment 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.

In November 2012, we summarized our basic principles for sustainable business activities in the FUCHS PETROLUB Group in the form of a comprehensive Sustainability Guide, which was signed by the Executive Board. The Executive Board bears overall responsibility for sustainability at FUCHS. The Chief Sustainability Officer appointed on January 1, 2011 supports all activities relevant to sustainable business activities throughout the company as well as our social commitment. In 2013 we continued to develop our organizational sustainability management and appointed a Local Sustainability Officer in each producing national entity, who in future is to act as an interface for the Chief Sustainability Officer at the Group head's office and to be 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 on page 48.



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, risk management system and audit system, as well as monitoring 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 management report (separate chapter in the management report).



Opportunity report and Risk report



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#### **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 (website: [www.fuchs-oil.com](http://www.fuchs-oil.com)). The website also offers a financial calendar that contains the scheduled dates and times of all important events and publications.

FUCHS PETROLUB SE has created the mandatory insider directory in accordance with Section 15b of the German Securities Trading Act (WpHG) and informed the affected persons, for whom access to insider information is essential to be able to perform their duties at FUCHS PETROLUB SE, of their legal obligations and the sanctions faced by anyone failing to comply with the regulations. Where directors' dealings 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 interim financial reports 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 report and consolidated financial statements are audited by the auditor appointed at the Annual General Meeting, approved by the Supervisory Board and the annual financial statements are adopted.

An agreement is reached with the auditor that he will inform the Chairman of the Supervisory Board respectively the Chairman of the Audit Committee immediately 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 forthwith. 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 (AktG).



**TEXT OF THE DECLARATION OF COMPLIANCE****Declaration of Compliance, in accordance with Section 161 of the German Stock Corporation Act (AktG)**

FUCHS PETROLUB SE complies with all recommendations of the "German Corporate Governance Code Government Commission" in the version valid since June 10, 2013 (also in future) with the following exceptions:

**Section 4.2.3**

The variable compensation, and thereby the overall compensation, of the Executive Board is not subject to any upper limits. The variable compensation is based on FUCHS Value Added (FVA) and the underlying KPIs of EBIT, capital employed, and weighted average cost of capital, as well as a performance assessment to be performed annually by the Supervisory Board. In the light of the above, the Supervisory Board does not currently see any need to introduce any upper limits for compensation.

**Section 5.4.3**

As per Section 5.4.3 of the Code, elections to appoint members of the Supervisory Board should take the form of individual elections. Within the scope of the process for changing its corporate form to an European Company (SE), FUCHS PETROLUB decided to appoint the four shareholder representatives of the first Supervisory Board at FUCHS PETROLUB SE through the company's Articles of Association in accordance with Article 40 (2) sentence 2 of the SE Regulation. The company's Articles of Association were passed by the Annual General Meeting on May 8, 2013, and entered into the commercial register on July 18, 2013.

Mannheim, December 9, 2013



Dr. Jürgen Hambrecht  
Chairman of the Supervisory Board



Stefan R. Fuchs  
Chairman of the Executive Board



Further information at  
[www.fuchs-oil.com/  
declarationcompliance.html](http://www.fuchs-oil.com/declarationcompliance.html)

The current Declaration of Compliance, as well as all previous Declarations of Compliance, can be accessed at any time on the Internet at [www.fuchs-oil.com/declarationcompliance.html](http://www.fuchs-oil.com/declarationcompliance.html).

Mannheim, March 19, 2014

FUCHS PETROLUB SE

The Executive Board

## MAIN FEATURES OF FUCHS PETROLUB SE'S COMPENSATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BODIES\*

### COMPENSATION FOR MEMBERS OF THE EXECUTIVE BOARD

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

- the duties of the individual board member,
- his personal performance,
- the economic situation of the company,
- the success and future perspectives of the company,
- the common practice of compensation, taking into account comparable external and internal data.

The compensation of the Executive Board was made up of a fixed and a variable component. The compensation is reviewed annually and adjusted if necessary.

The performance-related compensation components are based on the FUCHS Value Added (FVA). As an indicator of sustainable company development, the FVA is based both on annual profit and capital employed, which itself is based on long-term decisions (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.

To better incorporate the need for a more comprehensive assessment basis which extends over several years when assessing the variable compensation component, the FVA has been extended to include a performance factor. The long-term performance of the Executive Board is determined on the basis of achievement of medium and long-term targets. These targets are aligned to the strategic guidelines at FUCHS and are agreed for the entire Executive Board.

The members of the Executive Board also receive additional benefits in the form of remuneration in kind. These benefits essentially consist of private use of company cars and payment of insurance premiums. These are available to all members of the Executive Board in the same way.



FUCHS Value Added

\* Part of the Group management report

The pension of Executive Board members is based on a percentage of the average fixed salary received by said members over the last three years prior to termination of their employment contract. This percentage increases successively with the duration of service of the Executive Board member. Pensions are paid to former members of the Executive Board who have reached the pension age.

The existing compensation system has been in force since January 1, 2010. In the interests of ensuring acceptance, the Executive Board and Supervisory Board sought the consent of the shareholders for the Executive Board compensation system at the Annual General Meeting on May 5, 2010. This consultative AGM resolution was met with 94.87% approval.

#### **COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD**

The compensation of the Supervisory Board is specified in the Articles of Association of FUCHS PETROLUB SE. These state that each member of the Supervisory Board shall receive fixed compensation of €30,000 for the last year, in addition to expenses, and a variable compensation linked to the success of the company of €100 for every €0.01 by which the disclosed average Group earnings per share exceed €0.56. The level of variable compensation may not exceed that of the fixed compensation. The Chairman of the Supervisory Board receives double these compensations and the Deputy Chairman one and a half times. Members of the Supervisory Board who have not been a member of the body for a full financial year receive compensation in accordance with the amount of time they have belonged to the Supervisory Board. Furthermore, each member of the Supervisory Board shall receive an attendance allowance of €1,000 per Supervisory Board meeting. Members of the Supervisory Board who also sit on the Audit Committee receive additional fixed compensation of €15,000, while those who also sit on the Personnel Committee receive additional fixed compensation of €5,000. An attendance allowance of €1,000 is paid for committee meetings. The Committee Chairman receives double these compensations, the Deputy Chairman one and a half times.

# Sustainability report

As a subscriber to the Code of Responsible Conduct for Business, the Executive Board at FUCHS PETROLUB SE is committed to a value-oriented system of corporate governance. Based on the Code, this includes fair competition, social partnership, the performance principle and sustainability.

We understand sustainability as a key element of this commitment. The scarcity of resources and the responsibility towards future generations are a particular focus of corporate action. FUCHS strives to create more value with fewer resources – while meeting our economic, ecological and social responsibilities, to secure the long-term success and the continued existence of the company in the future.

Sustainability at FUCHS is a continuous further development. We constantly work on future improvements and in 2013 implemented key objectives in the three areas of sustainability: economy, ecology and social. These involve in particular:

- The description of our basic principles for sustainable and socially responsible business practices in the FUCHS PETROLUB Group in a comprehensive Sustainability Guideline, which was made available to all FUCHS managers worldwide at the beginning of 2013. The FUCHS Sustainability Guideline is used as both an internal and external means of communication and can be accessed on our website at [www.fuchs-oil.com/sustainabilityguideline0.html](http://www.fuchs-oil.com/sustainabilityguideline0.html).
- Informing our key suppliers on the establishment of the FUCHS Sustainability Guideline, as well as their written confirmation either that they comply with it or that they employ and adhere to their own, similar guidelines. Our suppliers are also expected to comply with our corporate ethical requirements and minimum social standards. When selecting potential new suppliers, we consider their performance with regard to sustainability.
- The organizational further development of our sustainability management through appointment of local sustainability officers in each producing national entity, who should act as an interface for the Chief Sustainability Officer at Group HQ in the future and be available as a point of contact for any specific questions that might arise in this regard. The Chief Sustainability Officer, who was appointed in 2011, supports all accompanying activities throughout the Group on sustainable business practices and our corporate citizenship.



Further information at  
[www.fuchs-oil.com/  
sustainability0.html](http://www.fuchs-oil.com/sustainability0.html)

- The revision of the FUCHS fleet's former company car guideline in Germany and its extension to include a sustainability component. As of 2014, specific CO<sub>2</sub> limits per company car group apply to all new vehicle orders – from field service staff to the Executive Board. These limits may only be exceeded by a maximum of 5% in all cases. A monthly penalty will be charged per gram of CO<sub>2</sub> per km above the permitted limit to compensate for the mobility costs associated with the increased emissions and environmental impact. The applicable CO<sub>2</sub> limits of the European Union for vehicle manufacturers (2015 limit: 130 g/km) should provide orientation and not be exceeded as an annual average by FUCHS' entire German fleet. FUCHS' domestic emission limits are to be examined annually for their appropriateness and, if necessary, adjusted.

#### ECONOMIC SUSTAINABILITY

FUCHS recognizes sustainability in economic activities as a principle of long-term business strategy and assurance, and is committed to a continuous and sustainable increase in company value, as well as creation of shareholder value. At the same time, we pursue a sustainable dividend policy, which targets continuous increases or at the very least stable dividend payouts to our shareholders.



Overall position and performance indicators

In the sense of these objectives, the Group was able to increase FUCHS Value Added (FVA) in the reporting year 2013 over 2012 by 6.6% to €221.9 million. The two main factors that influence FVA developed in the right direction. EBIT increased by 6.6% over 2012 to €312.3 million (293.0), while NOWC, which has an impact on capital costs, recorded a decline relative to sales revenues to 19.9% (21.0%). The total Group dividend payout is to be increased by 6.6% to €98.2 million (91.6). The dividends paid by FUCHS have increased by an average of 25% per year over the last ten years.

#### ECONOMIC KPIS

	2013	2012	2011	2010
FUCHS Value Added (FVA) in € million	221.9	208.2	186.8	182.7
Earnings before interest and tax (EBIT) in € million	312.3	293.0	263.5	250.1
Net operating working capital (NOWC) in %	19.9	21.0	21.1	19.0
Total dividend payout in € million*	98.2	91.6	70.3	63.2

\* Dividend proposal for 2013.

### ECOLOGICAL SUSTAINABILITY

FUCHS develops, produces, and markets application-specific and emission-reducing lubricants, some of which use renewable raw materials. Due to the low level of vertical integration that we employ as a provider at the end of the process and added value chain, our lubricant manufacturing activities leave behind only a minor ecological footprint. Nevertheless, FUCHS pays particular attention to responsible handling of energy, water, and waste. The Group makes a contribution to reducing energy requirements, preserving resources, and thereby to sustainability in the ecological sense.

We have been continually reducing the amount of energy consumed per ton of lubricant produced since 2010. The CO<sub>2</sub> emissions at FUCHS are largely generated during lubricant production due to the use of energy. Based on the energy consumption per energy type, we determined our CO<sub>2</sub> emissions during the production process across all production locations for the first time, which were reduced from 2010 to 2011 and have since remained constant. We managed to reduce the water consumption per ton of lubricant output each year from 2010 to 2012, although it actually increased in the reporting year due to necessary cooling processes during production of certain products at one of the Group's major production sites. Compared to 2010, we were able to slightly reduce the volume of waste generated per ton of lubricant produced in the reporting year. The energy and water consumption, the waste generation and the CO<sub>2</sub> emissions at FUCHS' production sites are significantly below the average in the chemicals industry. Yet despite this, we are still making every effort to further reduce these ecological KPIs. In 2013, we therefore asked the managing directors of FUCHS' major production sites to set reduction targets for energy and water consumption, as well as waste generation till 2016 and report these to Group HQ. These targets help us anchor our sustainability strategy in the actions of the production locations and thereby further integrate them into our business operations.

### ECOLOGICAL KPIS

	2013	2012	2011	2010
Energy consumption in kilowatt hours per ton produced <sup>1</sup>	266	268	269	285
Water consumption in liters per ton produced <sup>1</sup>	507	440	450	454
Waste generated in kilograms per ton produced <sup>1</sup>	30	30	31	31
CO <sub>2</sub> emissions in kilograms per ton produced <sup>2</sup>	95	95	95	100

Basis: FUCHS production locations.

<sup>1</sup> The values for the previous years have been adjusted accordingly.

<sup>2</sup> Generated due to energy consumption during the production process.



Employees

### SOCIAL SUSTAINABILITY

FUCHS takes into account both internal and external aspects in terms of its social responsibility.

In the internal social field we address many challenges, in particular those associated with the demographic shift. In the sense of a sustainable personnel policy, projects were continued in the reporting year in the fields of occupational health management, further training and reconciliation of family and working life. FUCHS also strives to keep qualified employees loyal to the company in the long term through targeted measures. Whenever possible, any positions that become vacant are therefore filled with employees from within the company. Here, we place particular emphasis on the dedicated promotion of women and ensure that appropriate consideration is given to them when filling management positions.

The following information refer to the FUCHS production locations, which represent around 90% of the Group's employees.

In the reporting year, the average age of employees worldwide and at the German production sites was 43 and has remained constant since 2010. For comparative purposes, the average age of workforces in the German chemicals industry is also around 43. With a share of around 27% each, the age group of FUCHS employees over 50 overall and in Germany displays a fairly typical structure for an industrial enterprise. The corresponding quota is around 31% in the German chemicals industry.

The average length of service and the employee fluctuation are indicators of the satisfaction and the high degree of loyalty of our employees with FUCHS. The average length of service of FUCHS employees remained constant between 2010 and 2013 at eleven years. The employee fluctuation remained at a low level and actually fell slightly to around 3% in the reporting year.

The number of work-related accidents with more than three days lost per 1,000 employees at FUCHS was 16 in 2013 and also in 2012 and was therefore reduced by 2 over 2011 and 2010. The corresponding work-related accident rate at FUCHS' German production sites, which reported an average of 20 accidents in 2010, was reduced to 15 in 2013 and is therefore around the standard level of the chemicals industry in Germany. The number of days lost due to sickness per employee has remained constant over the last four years at seven days on average.

The proportion of women in management positions at the production sites throughout the world increased from 19% in 2010 and 2011 to 20% in 2012 and 2013. The percentage of women working at the other non-production company locations is higher. As such, a total of 21% of management positions within the FUCHS PETROLUB Group are held by women.

We have been able to increase the average number of further education hours per employee continuously since 2010. In the reporting year, each FUCHS employee attended an average of around 17 hours of further education.

#### SOCIAL KPIS

	2013	2012	2011	2010
Average age of employees in years	43	43	43	43
Age structure of employees in %				
<30 years	14	15	14	13
31 – 40 years	27	27	29	30
41 – 50 years	32	32	31	32
>50 years	27	26	26	25
Average length of service of employees in years	11	11	11	11
Employee fluctuation <sup>1</sup> in %	3.2	3.5	4.2	3.8
Work-related accidents <sup>2</sup> per 1,000 employees <sup>3</sup>	16	16	18	18
Days lost due to sickness per employee	7	7	7	7
Proportion of women in management positions in % <sup>3</sup>	20	20	19	19
Average further education per employee in hours <sup>3</sup>	17	16	12	9

Basis: FUCHS production locations (Group representativeness: 90%).

<sup>1</sup> Proportion of employees who voluntarily leave the company.

<sup>2</sup> Number of accidents with more than three days lost.

<sup>3</sup> The values for the previous years have been adjusted accordingly.

In the external social field, FUCHS subscribes to the idea that companies should not be committed solely to economic success, but equally also carry social responsibility. As part of society, we are a player ourselves and benefit from the social integration at our company locations throughout the world. We therefore support social and voluntary commitment in various ways at our company locations and promote academic, cultural and social projects both nationally and internationally, primarily in the field of education.

At the Group's headquarters, we promote academic exchange with universities, including the University of Mannheim – for which a foundation-endowed Chair has been established together with four other listed companies in the metropolitan region. In the cultural arena, we provide support inter alia to the Mannheim National Theater, the oldest municipal theater and largest four-theme theatrical venue in Germany, run by a city. In the social arena, we have presented the FUCHS sponsorship award for social projects of non-profit institutions in Mannheim for 14 years in succession. In addition to this, FUCHS has been supporting the holistic junior youth development concept "An-pfiff ins Leben" for many years. FUCHS is an important partner for the development of young people in the fields of training and careers.



# Disclosure required under takeover law pursuant to Section 315 (4) of the German Commercial Code (HGB)\*

Section 315 (4) of the German Commercial Code (HGB) stipulates additional disclosures in the management report regarding specific features of the capital and shareholder structure as well as specific agreements that might be significant in a takeover situation.

## **COMPOSITION OF THE SHARE CAPITAL**

As at December 31, 2013, the company's subscribed capital was €70,980,000. The share capital is divided into 35,490,000 bearer ordinary shares with no par value and 35,490,000 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, 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, 53a ff., 118 ff. 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 shares from previous years
- b. for payment of a preference profit share of €0.05 per preference share of no par value
- c. for payment of an initial profit share of €0.03 per ordinary share of no par value
- d. for equal payment of further profit shares on the ordinary shares and the non-voting 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.

\* Part of the Group management report

**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 47.58% of the voting rights. The individuals who are members of the Fuchs family hold a further 4.62%. The Schutzgemeinschaft Fuchs therefore holds 52.21% 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) 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 an authorized capital. The Executive Board is authorized, with the Supervisory Board's consent, to increase the share capital of the company by up to €35,490,000 in one or several tranches until May 5, 2014 by issuing up to 35,490,000 new, no-par-value bearer shares in exchange for cash or non-cash contributions. Ordinary and/or preference shares with no voting right can be issued.

The Executive Board is authorized, with the Supervisory Board's consent, to acquire own shares up to a value of 10% of the existing share capital at the date of the resolution until May 5, 2014 for the purpose of redemption. In the light of the good business and cash flow development, as well as to optimize the capital structure, FUCHS began buying back own shares in November 2013 at a value not to exceed the limit of €100 million. In the financial year 2013, a total of 169,235 ordinary shares were acquired at an average price of €60.14 and 169,235 preference shares were acquired at an average price of €69.65. FUCHS therefore spent a total of €20.0 million on buying back own shares in the financial year 2013 (€10.2 million on ordinary shares; €11.8 million on 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 has reached agreements with two banks that enable the termination or repayment of lines of credit in the amount of €60 million respective of the loans granted thereunder should there be a change in control, insofar as in light of the changes in ownership and control no agreement can be reached on the continuation of credit facilities.

**COMPANY AGREEMENTS FOR COMPENSATION OF MEMBERS OF THE EXECUTIVE  
BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID**

At FUCHS, there are no agreements for compensation of the members of the Executive Board or employees in the event of a takeover bid.

# FUCHS shares

FUCHS PETROLUB SE issued two different share classes: ordinary shares (Security ID No. 57940) and preference shares (Security ID No. 579043).

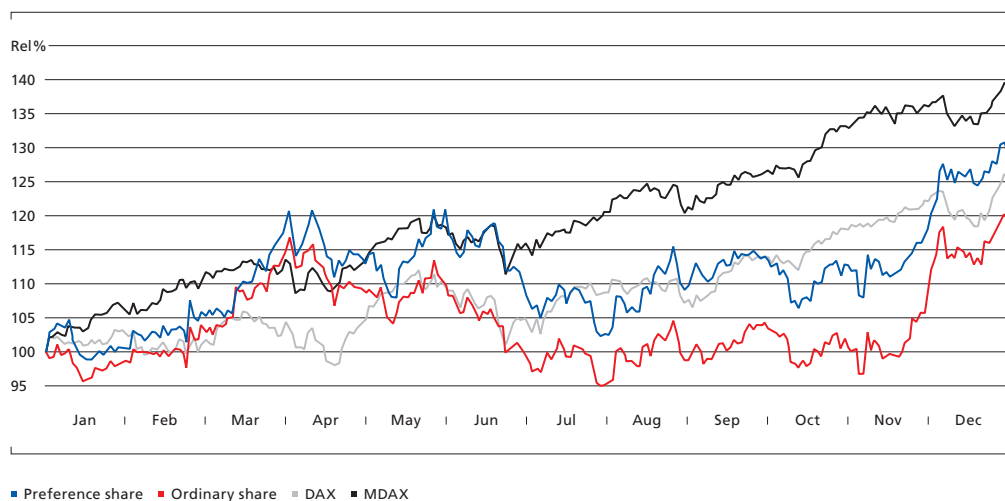
## PERFORMANCE OF FUCHS SHARES

The ordinary share closed at €61.80 in XETRA trading on December 30, 2013 and was therefore 16.6% above the 2012 year-end price. The preference share recorded a year-end price of €71.04 on December 30, 2013 and therefore increased by 26.4% in the financial year 2013. The prices of the ordinary and preference shares dipped slightly during the first few days of trading in 2013. On January 17, 2013, the preference share then dropped to €55.50, its lowest level of the year. In the weeks that followed, the shares developed better than the overall market, recording significant gains in the first quarter of 2013. In the second quarter of 2013, the prices of both share classes dipped again and the premium of the preference share increased relative to the ordinary share. In the third quarter of 2013, the prices then made largely sideways movements due to considerable fluctuations. On July 29, 2013, the ordinary share reached its lowest level of the year at €49.24. This sideways movement continued in the first few months of the fourth quarter of 2013. At the end of November, both share classes then increased considerably in value, particularly following the announcement of the share buyback. On December 27, 2013, the ordinary and preference shares reached their highest level of the year at €62.25 and €71.94 respectively. Assuming reinvestment into the same share of the dividends paid, the performance of the ordinary share was 19.2% and the performance of the preference share was 29.1%. Both share classes were therefore unable to keep up with the excellent development of the **MDAX** benchmark index (+39.1%). However, the preference shares at least outperformed the development of the **DAX**, which gained 25.5% over the course of the year.



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## PERFORMANCE TREND OF ORDINARY AND PREFERENCE SHARES IN COMPARISON WITH DAX AND MDAX (JANUARY 1, 2013 – DECEMBER 31, 2013)



\* Performance including dividends.



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### FUCHS SHARE TRADING

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 average daily volume traded (XETRA and Frankfurt) of the preference shares increased by 13.7% to 131,761 units (2012: 115,917). This means that €8.1 million (2012: €5.2 million) was traded each day on these stock exchanges in the financial year 2013.

The ordinary shares recorded an average daily trading volume (XETRA and Frankfurt) of 27,790 units in 2013 (2012: 21,522). The average daily traded volume of the ordinary share increased from €0.9 million in 2012 to €1.5 million in the reporting year.

Due to the price trend, the market capitalization of the ordinary and preference shares increased from €3.9 billion to €4.7 billion.

### FUCHS SHARES REPRESENTED IN IMPORTANT INDICES

The ordinary share is included in the DAXplus Family Index on the German Stock Exchange. This index represents the development of 118 German and international family companies listed in the Prime Standard on the Frankfurt Stock Exchange. In addition to this, the ordinary share is included in the DAXplus Family 30, which comprises the 30 largest and most liquid family companies.

The preference share is listed in the MDAX, the second largest German share index, which comprises 50 companies, while 30 companies are included in the largest German share index, the DAX. At the end of 2013, the market capitalization of the preference shares was €2.5 billion. This put FUCHS in 16th place (2012: 13th place) or 22nd place in terms of trading volume (2012: 29th place). The weighting in the MDAX is 2.09% (2012: 2.32%).

The international significance of the FUCHS preference share is reflected by the fact that it is included in STOXX Europe. The STOXX Europe 600 represents the shares of 600 companies from 18 European countries.

### ANNUAL GENERAL MEETING 2013

At the Annual General Meeting, held on May 8, 2013 in Mannheim, 79.34% of the share capital secured in ordinary shares and 7.53% of the share capital secured in preference shares were represented. The shareholders agreed to the proposals of the administration with clear majorities of between 99.11% and 99.99%.

### SHARE BUYBACK

In the light of the good business and cash flow development, as well as to optimize the capital structure, FUCHS began buying back own shares in November 2013 at a value not to exceed €100 million. In the financial year 2013, a total of 169,235 ordinary shares were acquired at an average price of €60.14 and 169,235 preference shares were acquired at an average price of €69.65. FUCHS therefore spent a total of €22.0 million on buying back own shares in the financial year 2013 (€10.2 million on ordinary shares; €11.8 million on preference shares).

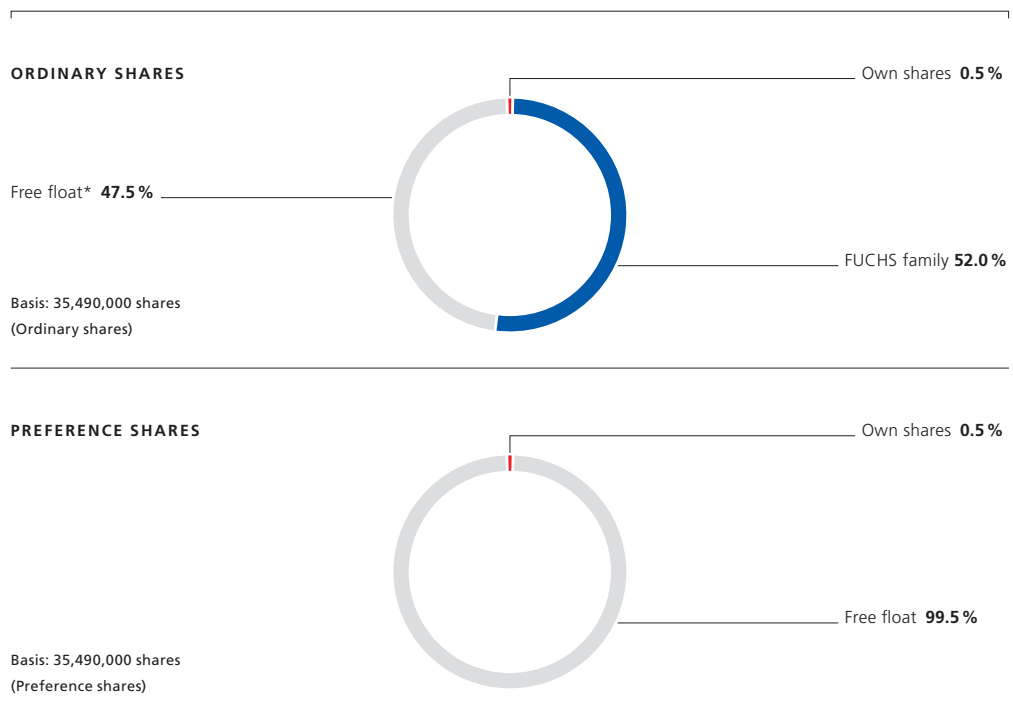
### SHAREHOLDER STRUCTURE

The subscribed capital of FUCHS PETROLUB SE of €70,980,000 is divided into 35,490,000 ordinary shares and 35,490,000 preference shares with a nominal value of €1.00 per share. The ordinary shares and preference shares have been listed in the Prime Standard on the German Stock Exchange since January 1, 2003.

Each ordinary share carries one vote at the Annual General Meeting. On the 2013 balance sheet date, the Fuchs family held 52.0% of the shares, 0.5% were own shares, and 47.5% were freely traded (free float) as per the definition of Deutsche Börse AG. Own shares are not entitled to vote, therefore the Fuchs family holds 52.2% of the voting rights.

As per the definition of Deutsche Börse AG, 99.5% of the preference shares without voting rights were freely traded (free float) at the end of 2013. The remaining 0.5% is attributed to own shares. 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 requirement 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, 2013



\* Voting rights announcement: DWS Investment, Frankfurt, 5.2% (Dec. 15, 2003).

### **NOTIFICATION ON VOTING RIGHTS**

In accordance with Section 21 of the German Securities Trading Act (WpHG), the investor Mawer Investment Ltd., Canada, informed the company that its share of voting rights had fallen below the threshold of 3% in the financial year 2013. FUCHS PETROLUB SE informed the capital markets of this in accordance with Section 26 of the German Securities Trading Act (WpHG) and also informed the interested general public on its website. In addition to this, DWS Investment, Germany, had submitted a statement by the 2013 balance sheet date (voting rights announcement from December 15, 2013) declaring that it held 5.2% of ordinary shares.

### **INTENSIVE CAPITAL MARKET COMMUNICATION**

FUCHS PETROLUB places great emphasis on open and continuous communication with all capital market players. Institutional investors, funds managers and financial analysts had the opportunity to talk directly with the management at the 20 capital market conferences and roadshows held in Europe and North America. In addition to this, numerous individual meetings and telephone conferences were held. One of the year's highlights was our 14th FUCHS Capital Market Day, at which the participants also had the opportunity to gain an insight into the world of the open-cast lignite mining at RWE Power. Other important dates on the investor relations calendar included the Analysts' Conferences/telephone conferences on the respective publication dates.

The business and financial press was kept continuously up-to-date through press conferences, telephone conferences, and press releases. Beside this, there was great interest in interviewing the company management.

The Annual General Meeting offers an opportunity for an open dialog with private investors. In addition, private investors also frequently contact the Investor Relations Team by phone, letter or e-mail with their questions.

The FUCHS Annual Report 2012 received numerous awards in 2013. These included winning Gold at the ARC Awards (Annual Report Competition) in the categories "Traditional Annual Reports: Oil & Gas Production Services". The criteria evaluated by the jury included the design and presentation of company information. The report also won Silver at both the FOX AWARDS and the Vision Awards. In addition to this, the FUCHS Annual Report 2012 received the GOOD DESIGN Award, successfully fending off several thousand entries from over 38 countries.

### **ANALYSTS**

Over the course of 2013, 18 analysts from various institutions regularly observed and rated the company development at FUCHS (2012: 20). The "Investor Relations" section of the website operated by FUCHS PETROLUB SE provides information on current recommendations.



Further information at  
[www.fuchs-oil.com/  
analystscoverage0.html](http://www.fuchs-oil.com/analystscoverage0.html)



Group management report

### EARNINGS PER SHARE

The earnings per FUCHS ordinary share were €3.06 for the reporting year (2.90). Due to the €0.02 higher dividend entitlement, earnings per preference share were €3.08 (2.92).



Proposal on the appropriation of profits

### DIVIDEND PROPOSAL

The Executive Board and Supervisory Board will therefore propose a dividend payout of €1.38 per ordinary share and €1.40 per preference share to the Annual General Meeting. This represents a dividend payout ratio of 45%. With this proposal, we are continuing FUCHS PETROLUB's stable dividend policy.

### KEY FIGURES FOR FUCHS PETROLUB SHARES

	Dec. 31, 2013		Dec. 31, 2012	
	ORDINARY SHARES	PREFERENCE SHARES	ORDINARY SHARES	PREFERENCE SHARES
Number of no-par-value shares	35,490,000	35,490,000	35,490,000	35,490,000
Number of own shares	169,235	169,235	–	–
Shares outstanding	35,320,765	35,320,765	35,490,000	35,490,000
Dividends (in €)	1.38 <sup>1</sup>	1.40 <sup>1</sup>	1.28	1.30
Dividend yield (in %) <sup>2</sup>	2.5	2.3	3.1	2.9
Earnings per share (in €) <sup>3</sup>	3.06	3.08	2.90	2.92
Gross cash flow per share (in €) <sup>4</sup>	3.17	3.17	3.09	3.09
Book value per share (in €) <sup>5</sup>	12.07	12.07	10.99	10.99
XETRA closing price (in €)	61.80	71.04	53.00	56.19
XETRA highest price (in €)	62.25	71.94	53.00	56.57
XETRA lowest price (in €)	49.24	55.50	29.89	34.13
XETRA average price (in €)	54.36	61.80	41.24	44.75
Average daily turnover (in € thousand)				
XETRA and Frankfurt	1,510	8,143	888	5,187
Market capitalization (in € million) <sup>6</sup>	4,692		3,875	
Price-to-earnings ratio <sup>7</sup>	17.8	20.1	14.2	15.3

<sup>1</sup> Proposal to the Annual General Meeting.

<sup>2</sup> Ratio of dividend to average annual share price.

<sup>3</sup> Ratio of earnings after deduction of minority interests to average number of shares.

<sup>4</sup> Relative to the average number of shares.

<sup>5</sup> Ratio of shareholders' equity to number of shares.

<sup>6</sup> Stock exchange values at the end of the year.

<sup>7</sup> Ratio of average price to earnings per share.



Further information at [www.fuchs-oil.com/stock\\_current.html](http://www.fuchs-oil.com/stock_current.html)



FUCHS has the financial flexibility to consistently press ahead with its growth initiative. At 73.5%, the equity ratio has reached a new peak.

WITH AN ADDITIONAL 115 NEW EMPLOYEES, IN 2013 THE TOTAL WORKFORCE IN THE 50 GROUP COMPANIES ROSE TO

3,888

EMPLOYEES

IN 2013, INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AMOUNTED TO

€72.8

MILLION

# 2

## GROUP MANAGEMENT REPORT<sup>1</sup>

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<sup>1</sup> The figures in parentheses refer to the same period of the previous year.

# Corporate profile

## BUSINESS MODEL

The mission statement of the FUCHS PETROLUB Group, LUBRICANTS.TECHNOLOGY.PEOPLE. describes its business model in just a few words. The Germany-based Group with a total of 50 operating companies and more than 3,800 employees worldwide, focuses entirely on lubricants and related specialties. Its technological orientation represents a special feature of its product portfolio. The business model is implemented by highly qualified, specialized, and motivated employees.

By focusing on the development, production, and sale of lubricants and related specialties, FUCHS differs from the vertically integrated mineral oil companies, whose business model is aimed largely at broad sales channels. FUCHS concentrates on technological leadership in important niches and premium business segments. Within the scope of this strategy, tailor-made products with great customer benefit are developed and manufactured. A high commitment to service rounds off this product portfolio. Thanks to its size, international presence and strength of resources, FUCHS also enjoys an advantage over other independent lubricant suppliers.

The portfolio encompasses around 10,000 products for all applications and industries, including mining, steel production, agriculture, the automotive industry, transport, mechanical engineering, everyday consumers and more. The broad range of products on offer covers the entire lubricant requirements of more than 100,000 customers and enables supply and support to come from a single source.

The high level of innovative power is a key driver in the business model. Around one in ten employees works in research and development. FUCHS engages in applied developments directly at customer locations. This allows lubricants to be adapted to customer processes or new lubricants to be developed at the same time as new machines and systems, in partnership with the customer.

Around 75% of sales revenues are generated through direct sales. The customer relationships, most of which have been in place for many years, allow offers that are tailored specifically to customer requirements. The specialists working in sales have specific industry knowledge, which enables them to find solutions to specific issues both quickly and professionally.

An important success factor is the speed of reaction to market fluctuations. Our high degree of internal transparency and low investment intensity are of advantage here. Both of these factors make it easier to implement short-term capacity adjustments. However, it is not possible to extrapolate sales trends for subsequent months on the basis of the number of orders on hand. In light of the fast and service-oriented delivery of lubricants and related specialties to our customers, forecasts regarding future sales trends can more easily be made based on the general economic situation and the order situation in certain customer industries. Yet despite this, unforeseen fluctuations can still occur in the market and the environment at any time, as shown by the developments at the end of 2008 and in 2009.

### **EUROPEAN BUSINESS FORMS THE BASIS FOR ONGOING INTERNATIONALIZATION**

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 Asia, Africa, South America, and Eastern Europe. FUCHS not only supports important customers seeking to enter new markets, but at the same time also wins new local customers with its tailor-made solutions. The diversification in regions and industries ensures that economic and industry cycles can be compensated.

The FUCHS PETROLUB Group bases its growth objectives on assuming the role of a technology and service partner, as well as a solution provider for niche applications. The Group is keen to grow further using this approach both through organic growth and, if possible, also acquisitions.

On the balance sheet date, there were 27 operating companies active in Europe and five operating companies active on the American continent. Customers in the Asia-Pacific, Africa region were supported by 18 operating companies.

The organization of the Group follows the principles of transparency and simple structures. The companies are largely held at 100% by FUCHS PETROLUB SE in Mannheim. This allows reporting paths to be kept short and also ensures efficient division of operational leadership and managerial duties under corporate law. We have 50% stakes in companies in Switzerland, Turkey and the Middle East, as well as one minority holding in Saudi Arabia.

The organizational and reporting structure at FUCHS is grouped according to the three geographic regions of Europe, North and South America, and Asia-Pacific, Africa.

On the sales side, business is characterized by a combination of local support and integration of customer group-specific specialists. Functions such as production and administration are generally performed locally. Where prudent and feasible, purchasing and research & development activities will be bundled in addition to the local presence.

## CONTROLLING SYSTEM

### INCREASING COMPANY VALUE THROUGH FURTHER GROWTH

The goal of FUCHS PETROLUB is to increase its company value, while at the same time allowing further stakeholders to participate. The priorities are to both secure and extend the market position in mature markets and also sustainably build on the market position in emerging markets. To this end, the Group relies on organic and – where prudent and possible – external growth. In this context, securing the leading technological position of the FUCHS PETROLUB Group in the field of lubricants is of particular strategic importance.

Beside this, securing the independence of the FUCHS PETROLUB Group represents a strategic step in further increasing company value, as this makes it possible to focus on lubricants and related specialties in an efficient environment.

### FUCHS VALUE ADDED AS A CENTRAL KEY PERFORMANCE INDICATOR

FUCHS pursues a value-driven growth strategy to increase its company value. The central key performance indicator (financial performance indicator) is FUCHS Value Added (FVA), which is based on income and capital investment. Only when the recorded earnings are higher than the costs of capital employed has value been added.

The key earnings performance indicator and control variable for the operating business in the FUCHS PETROLUB Group is earnings before interest and tax (EBIT), which in turn is largely determined by sales revenues, raw material costs, as well as personnel and overhead expenses. Management at local, regional, and global level pays special attention to these drivers. As a figure determined before interest and taxes, EBIT has the advantage of making the operating output of companies comparable without being influenced by differences in local financing and taxation rates.

Another focus is on the analysis of capital employed performed throughout the year. Significant drivers for the level of capital employed are capital expenditure on property, plant and equipment, investments in intangible assets, and the development of net operating working capital, consisting of inventories and trade receivables less trade payables. Controlling fixed assets through investment appraisals and monitoring net operating working capital tied up in inventories and trade receivables therefore represent important management duties.

FUCHS calculates the capital tied up in the company, i. e. the annual average capital employed as the sum of shareholders' equity, financial liabilities and pension provisions, as well as the accumulated scheduled goodwill amortization of former years (up to 2004: €85.2 million). Cash and cash equivalents, and any asset surplus from outsourced pension liabilities, are deducted from this figure.

The costs of capital employed were calculated using the weighted interest rate (WACC), the level of which is reviewed annually applying the Capital Asset Pricing Model (CAPM) and financial market data available at year end. When determining the performance of subsidiaries, this cost of capital is adjusted to incorporate the various levels of inflation and specific country risks.

All bonus payments to local, regional, and global management are based on FVA. Only when positive added value has been generated in a financial year will an entitlement to bonus payment arise. The level of this bonus can depend on additional individual agreements and performance factors.

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 with regard to growth, net contribution or gross margin and development of other personnel and operating costs. A monthly target/actual comparison ensures that compliance with the budget goals is continuously tracked. When targets are not achieved, the causes are promptly investigated, potential compensatory factors examined and corresponding measures introduced.

## RESEARCH AND DEVELOPMENT

A key pillar of the FUCHS PETROLUB Group's business model is its technological focus. The research and development requirements associated with this are constantly on the rise. Complex technical challenges and also regulatory provisions require a network that can make the necessary expertise available quickly and effectively. Last year, FUCHS therefore decided to fundamentally revise its organizational structure in the field of research and development, which will allow it to cater more effectively to more complex future requirements.

At the same time, FUCHS provided various locations in Germany and other countries with additional capacities.

Group-wide research and development expenses increased to €30.6 million in 2013 (29.2), while the number of employees increased to 385 (364) engineers and scientists by December 31, 2013.

Numerous developments in our research and development departments in 2013 are breaking new technological ground.

FUCHS has already been successfully working on the development of gear oils for automotive applications for years. In a complex development project, FUCHS developed and launched what is currently the most modern lubricant available for the new dual clutch transmissions of a major German vehicle manufacturer. The product, which was developed in close cooperation with the customer using in-house test benches, offers customized friction properties for maximum comfort and maximum durability in the dual clutch transmission application.

Sustainability is playing an increasingly important role in the field of lubricant development. One of the objectives here is to increase the process-efficiency or energy-efficiency of products, while another is to ensure that the raw material combinations are resource-friendly. In order to explore new paths, the advance development department at FUCHS PETROLUB is participating in two joint projects.

The first project, entitled "Advanced Biomass Value", is working on the development of an integrated recovery chain for conversion of third generation algae and yeast-based biomass. The objective here is to produce aviation fuels, functional lubricants, and new building materials.

The second project, entitled "TeFuProt", is researching the structure-function relationships of vegetable proteins. The objective here is to improve the technical suitability of vegetable proteins and thereby improve the use of protein mixes from the vegetable oil production process for the lubricant industry.

One special product that has been produced with a focus on sustainability is the new development "RENOLIN Xtreme Temp 46". Thanks to its special composition, it offers fuel saving potential of 3% to 6% in mobile hydraulics applications.

Preliminary testing on high-performance mechanical test benches is crucial for the qualification of lubricants. FUCHS extended its test bay in 2013 to include a new modular hydraulic test bench. This test bench makes it possible to test hydraulic fluids in various pump types with a drive power of up to 50 kW. It is equipped with a modern control system, which supports freely programmable load collectives (pump speeds, pressures and oil temperatures) and allows continuous data logging.

Measurement of the energy saving potential through use of modern transmission fluids is performed on our new gear test bench. This test bench supplements the efficiency testing on various complete transmissions and motor vehicles which we performed independently or together with partners at universities and research institutes.

This selection shows that FUCHS takes on the technological challenges resulting from the necessity of sustainability considerations, constantly creates solutions and offers these to our customers.

## EMPLOYEES

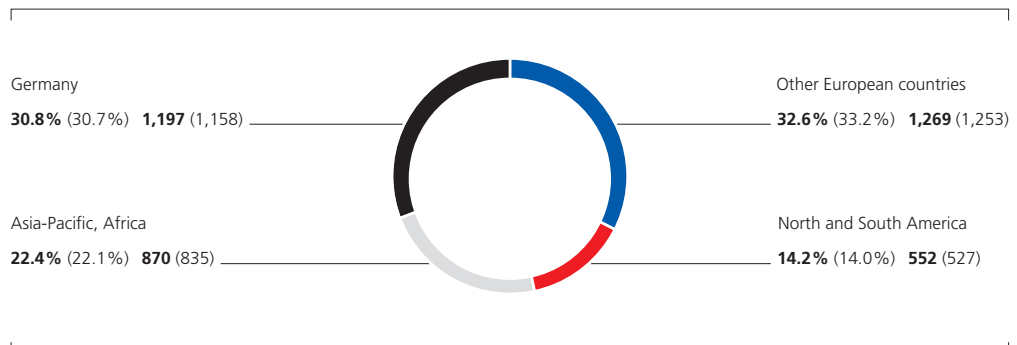
Our special relationship with our employees is shaped by the five values of our mission statement – trust, creating values, respect, reliability and integrity. Our employees form the basis of our success. Loyal and motivated employees ensure that our customers receive the best solutions and services for all requirements and fields of application in the world of lubricants. A successful company must be able to rely on an excellent management team and well-trained employees. Good preparation, social and methodical skills, an entrepreneurial attitude and conduct and a desire to work in a team are the key requirements for assuming responsibility at the companies in the FUCHS Group.

### INCREASE IN NUMBER OF EMPLOYEES

On December 31, 2013, the FUCHS PETROLUB Group employed 3,888 people worldwide (3,773). The total number of employees therefore increased by 115 or 3.0% compared to the previous year. The largest increase was in the Europe region, where the workforce increased by 55 year-on-year (+2.3%). Compared with December 31, 2012, thirty five more people (+4.2%) were employed in the Asia-Pacific, Africa region and twenty five more people were employed in North and South America (+4.7%).

### GEOGRAPHICAL WORKFORCE STRUCTURE

Amounts 2013 (previous year amounts in brackets)



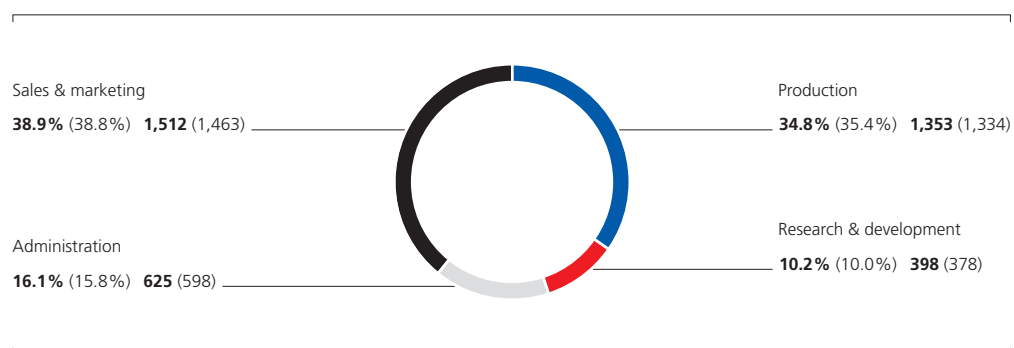
2,691 (2,615) people or 69.2% (69.3%) of staff were employed abroad (outside Germany) and 1,197 (1,158) were employed in Germany.



Worldwide, 34.8% (35.4%) of the workforce is employed in production, while 38.9% (38.8%) work in marketing and sales, 16.1% (15.8%) work in administration and 10.2% (10.0%) work in research and development.

#### FUNCTIONAL WORKFORCE STRUCTURE

Amounts 2013 (previous year amounts in brackets)



Sustainability report

Further KPIs, such as the age structure, average term of service or training hours of our employees, are presented in the sustainability report.

In 2013, we successfully extended our global team to include new entry level staff, yet also experienced specialists (+ 115).

As was already the case in the last few years, the integration and qualification of new colleagues, as well as the targeted development and promotion of our existing employees had high priority.

#### STRENGTHENING THE EMPLOYER BRAND

We further enhanced our profile as an attractive employer in 2013. The newly developed employer brand was presented in job ads and at university fairs. We will continue along this path in the coming year and further strengthen our brand.

**Schools**

Within the scope of school cooperations, we offer in-house career forums. These allow graduates to get a better picture of the training we offer and our operational procedures.

**Universities**

We collaborate with universities at various levels 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 with students with exceptional academic achievements. Besides scholarships, we also regularly offer internships and provide support for those writing their bachelor's or master's thesis.

**Experienced specialists**

Winning qualified specialists is a real challenge, particularly in the growth markets such as Brazil, Russia, India and China, but also in mature markets such as the USA. The range of applicants in these countries can be both limited and rather unclear, but FUCHS copes with this through professional selection procedures and attractive offers to ensure the recruitment of suitable and qualified employees. Our goal is to find the best talents in the respective areas of expertise and to motivate them for our company and products.

**TRAINING**

As at the balance sheet date on December 31, 2013, 70 young people at our German subsidiaries were attending dual training programs. 17 trainees completed their training in the reporting year.

We provide training in eight 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.

Besides the various training institutes and DHBW courses, we offer study-related internships at our subsidiaries in Germany and abroad. We also support students in doing research for their thesis. Many of our high performers are former trainees, interns or diploma students. Encouraging these potential future FUCHS employees is an important investment in our future.

### **SUSTAINABLE PERSONNEL POLICY**

Within the context of a sustainable personnel management, projects in the fields of health management, further training and reconciliation of family and working life were continued. 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 the reconciliation of family and working life. Highly flexible working hour models are an important factor in this regard. Besides typical flexitime models, part-time models are also offered, ranging from 15 to 32 hours per week. Where possible, job sharing models or shift work can also be set up. A family-oriented personnel policy is the key to success in many countries and regions when competing for qualified staff. It establishes the fundamental prerequisite for optimum performance at work.

Company health management is no longer limited to training courses on handling loads, skin protection or ergonomics when working with monitors. For the first time ever, a campaign for early diagnosis of colon cancer, as well as a campaign for preventing addiction, were held at the site in Mannheim. The Group company FUCHS LUBRIFIANT FRANCE received an award from the insurance group Malakoff-Médéric in 2013 for its commitment to health and well-being.

### **STAFF DEVELOPMENT**

Targeted, requirements-based personnel development forms the basis for the development of specialists and employees with high potential. We consider mixed management teams to be a particularly effective way of significantly strengthening our company. For this reason we place particular emphasis on the dedicated support of women and ensure that appropriate consideration is given to women when filling management positions in the company.

Our company-owned educational establishment, the FUCHS ACADEMY, ensures continuous training and the further education of our employees at a high level. As a global training instrument, the FUCHS ACADEMY offers regular seminars on the most diverse technical subjects or provides our sales experts with sound background knowledge. 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 the workforce.

Due to the global structure of our organization, intercultural competence is furthermore an important success factor for our staff. We encourage this competence by challenging our employees – including trainees and interns – with assignments around the globe as well as targeted deployment of specialists and managers at FUCHS subsidiaries.

With our language courses, we ensure that the Group language, English, forms a reliable basis for knowledge exchange. With worldwide internal placements, 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. In 2013, talents from all global regions once again gathered in the Mannheim area for an event lasting several days during which they had the chance to hold discussions with the Executive Board on the topics of leadership, organization, or IT concepts and gain new impulses for their development. The global talent management concept is also supported by local programs to develop talented young staff.

#### **EUROPEAN SE WORKS COUNCIL**

Following the successful conversion into an European company, FUCHS PETROLUB SE, the European SE works council elected by the employees convened for the first time in 2013. Working alongside the national employee representatives, this committee is responsible for representing the interests of FUCHS’ employees in Europe in the case of international concerns. The committee comprises ten members, whereby the German companies have four representatives and Great Britain, Belgium, Poland, France, Italy and Spain each have one representative.

## **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 sustainability report on pages 48 ff.



## Economic framework: general and sectoral

### **GLOBAL ECONOMY DISPLAYS IMPROVEMENT**

The expansion of the global economy gained ground during the course of 2013. Although global gross domestic product (GDP) again rose more slowly than in the previous year at an average of 3.0% (3.1%) according to figures published by the International Monetary Fund, the prospects for the global economy improved around the turn of 2013/14. Expansion in the US picked up pace once more, while production in the eurozone also increased after one and half years of recession. The economic dynamics also improved in the emerging markets over the course of 2013. According to the IMF, the global economy is likely to grow by 3.7% in 2014, which is higher than in 2013.

### **IMPROVED ECONOMIC ACTIVITY IN THE EMERGING MARKETS / BETTER PROSPECTS IN THE ADVANCED ECONOMIES**

At 7.7%, China recorded similarly high economic growth in the reporting year to that of the year 2012. GDP in India increased by 4.4%, which is a higher rate than in the previous year (3.2%). While the IMF is forecasting 5.4% growth for India for the year 2014, which is more than in the previous year, the increase in GDP in China is expected to be 7.5% for 2014, which represents a further slight reduction. Following growth of 1.9% in the reporting year, the IMF expects the US economy to grow at 2.8% in 2014, the same rate as achieved in 2012. Overall economic performance in the eurozone decreased by 0.4% in 2013, although Germany was still able to record a 0.5% increase in GDP in the same year. An increase in GDP of 1.0% is being forecast for the eurozone in 2014, and German economic performance is likely to increase by 1.6%.

### **GLOBAL STEEL PRODUCTION UP AGAIN IN 2013 DUE TO GROWTH IN ASIA / AT THE SAME TIME THE MATURE MARKET REGIONS OF NORTH AMERICA AND EUROPE DECLINED**

According to data published by the World Steel Association, world crude steel production recorded a 3.5% year-on-year increase in 2013, which represents a new record level. The growth was primarily generated in Asia (6.0%), while production in Europe (-2.0%) and North America (-1.9%) decreased in the year 2013. Despite virtually unchanged output in the year 2013 (-0.1% relative to 2012), the German Steel Trade Association believes that the German steel industry is in a difficult situation both economically and structurally. For 2014, the Association is anticipating a slight upward movement and an increase in German crude steel production of around 1%. Based on the results of a survey performed by The Financial Times with 15 analysts from the steel industry, global steel production is likely to increase by 3.6% in 2014. Following six years of declining production, Europe is likely to record growth of 2.4% in the coming year, while the predicted increase in China is fairly moderate at just 4.0%.

### **GLOBAL MECHANICAL ENGINEERING 2013 ONLY SLIGHTLY UP / GERMANY RECORDS DECLINE IN SALES REVENUES AND PRODUCTION**

According to data published by the German Engineering Federation (VDMA), global revenue from engineering is likely to have achieved a real increase of around 1% in 2013. Based on estimates of the VDMA, China once again has reached the highest growth in sales revenues, although the anticipated real growth rate of 5% is still likely to remain well below the 20% average recorded for many years. The US could also achieve growth of around 1%. In Germany, a decrease in sales revenues

of around 1% is anticipated in the reporting year, while machine production is set to decline by around 1.8% in the year 2013 according to DB Research. For 2014, however, the VDMA anticipates an increase in production in the German mechanical engineering sector of 3% and a global increase in sales revenues for the sector of 5% as the global economy continues to show improvement.

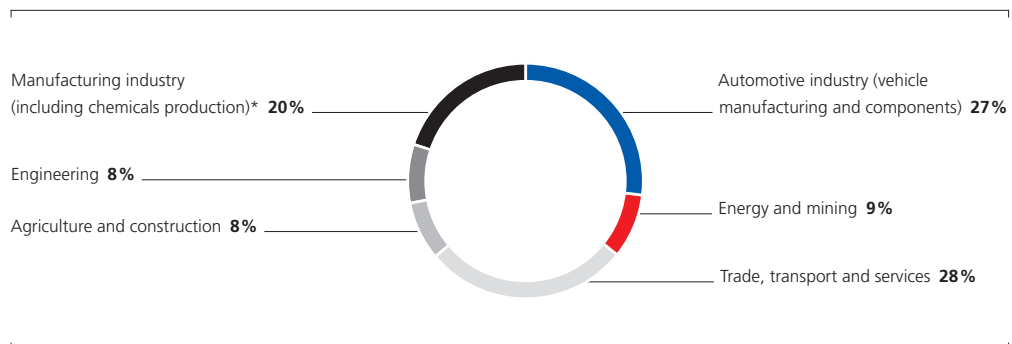
#### **PASSENGER CAR PRODUCTION IN CHINA STILL ON THE RISE / GROWTH ALSO RECORDED IN THE US, STAGNATION IN EUROPE**

According to data published by the consultancy PWC, global passenger car production increased by 4% in the year 2013. The most important growth market was once again China with an increase in production of nearly 12% ahead of the US at 9.1%. The EU, on the other hand, only managed a marginal increase of 0.2%, whereby passenger vehicle manufacturing in Germany rose around 1% in the reporting year according to data published by the German Association of the Automotive Industry (VDA). For 2014, DB Research anticipates an increase in German passenger car production of 6%. This forecast is based on the accumulated replacement demand for cars in Western Europe. In terms of global passenger vehicle manufacturing, PWC is also forecasting an increase of around 6% for the year 2014.

#### **GLOBAL CHEMICALS PRODUCTION CONTINUES UPWARD TREND / REGIONAL GROWTH IN ASIA, THE US, AND EUROPE**

According to the Association of the German Chemical Industry (VCI), the upward trend in global chemicals production continued in 2013. Based on information provided by the VCI, the global increase in production in the reporting year was around 4.5%, and a similar rise is also being forecast for 2014. In 2013, chemicals production primarily increased in China (+ 12.0%) and other Asian emerging markets, yet also in the US (1%) and the EU (+ 1.4%). The VCI also anticipates production increases in 2014 for the aforementioned regions of 10.0% in China, 2.0% in the US and 1.5% in the EU. According to the VCI, German chemicals production rose by 1.5% in 2013 and is likely to increase by 2.0% in the year 2014.

#### **BREAKDOWN OF GROUP SALES REVENUES BY CUSTOMER SECTOR**



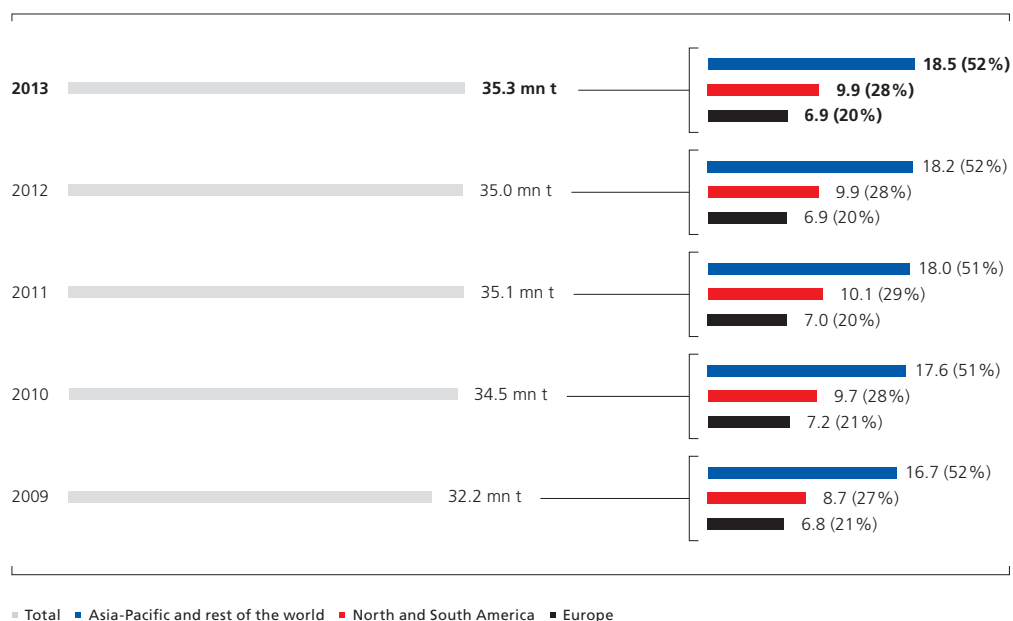
\* Manufacturing industry = producer goods, capital goods, consumer goods.

### GLOBAL LUBRICANT MARKET ON THE UP / ASIA RECORDS GREATEST REGIONAL GROWTH

Global lubricant demand is estimated to have increased by around 1% in 2013 to a volume of just above 35 million tons. While demand in the Asia-Pacific, Africa region, as well as North and South America each increased by around 1%, the consumption volume in Europe stagnated at around the same level as in the previous year. According to figures published by the Federal Office of Economics and Export Control (BAFA), lubricant demand in Germany had increased by around 2% over the same period in the previous year by November 2013. Based on the positive economic forecasts of the IMF for the global economy, we expect increasing volumes for the lubricant markets in all regions. In Europe, however, lubricant consumption is only likely to increase slightly, whereas it may increase by around 1% in the other regions.

#### DISTRIBUTION OF THE GLOBAL LUBRICANT MARKET

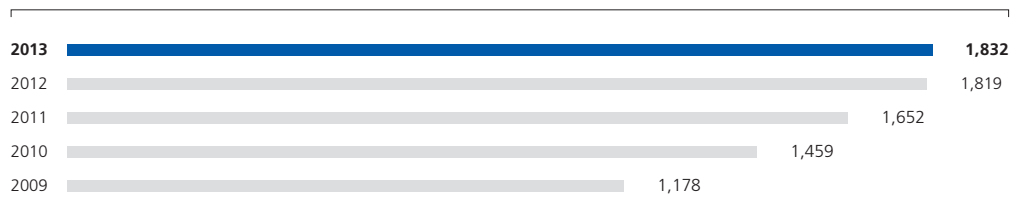
By regions



# Sales revenues (performance)

## DEVELOPMENT OF GROUP SALES REVENUES

(in € million)



## SALES REVENUES DISPLAY ORGANIC GROWTH OF 4%

Despite highly negative currency effects, the FUCHS PETROLUB Group increased its sales revenues by €12.5 million or 0.7% to €1,831.6 million in 2013 (1,819.1). Adjusted for currency effects, i. e. without taking into account the conversion effects based on the stronger euro, sales revenues recorded encouraging organic growth of 4% or €72.5 million. This rise can primarily be attributed to increased volumes.

Growth factors	in € million	in %
Organic growth	72.5	4.0
External growth	–	–
Currency translation effects	–60.0	–3.3
<b>Growth in sales revenues</b>	<b>12.5</b>	<b>0.7</b>

The nature of our business model means that it is not possible to reliably assess future business developments based on orders on hand, so we only report sales revenues. This is because only a few days typically elapse between orders being received and revenue being generated.

## REGIONAL DEVELOPMENT OF SALES REVENUES BY COMPANY LOCATION

in € million	2013	2012	Organic growth	External growth	Currency effects	Change absolute	Change in %
Europe	1,104.2	1,080.7	32.1	–	–8.6	23.5	2.2
Asia-Pacific, Africa	497.9	486.8	45.6	–	–34.5	11.1	2.3
North and South America	307.3	320.3	4.0	–	–17.0	–13.0	–4.1
Consolidation	–77.8	–68.7	–9.2	–	0.1	–9.1	–
<b>Total</b>	<b>1,831.6</b>	<b>1,819.1</b>	<b>72.5</b>	<b>–</b>	<b>–60.0</b>	<b>12.5</b>	<b>0.7</b>



### **ORGANIC GROWTH IN ALL THREE GLOBAL REGIONS**

FUCHS was able to increase lubricant sales volumes in all three global regions in 2013. A significant increase in sales volumes was in particular recorded in the Asia-Pacific, Africa region. The organic increase in sales revenues in this region was 9.4%.

At 3.0%, Europe also achieved pleasant volume-driven organic growth in sales revenues, despite the difficult macroeconomic conditions in some European countries.

North and South America had a poor start to 2013, but business then picked up significantly in the second half year. At +1.2% for the year, the region recorded slight organic growth in sales revenues.

Unlike the previous year, the development of raw material prices did not have any appreciable effect on sales revenues. Instead, increases in sales volumes, as well as mix and conversion effects, were the main drivers behind the development of Group sales revenues.

The Executive Board's revenue forecast for 2013 was confirmed by the organic increases in sales revenues recorded in all regions. Particularly high gains were envisaged for China and North America. While performance in the Asia-Pacific, Africa region met these expectations, it was not possible to achieve the forecast growth targets in the North and South America region, despite improvements in the second half of the year. This was largely due to weaker business with industrial customers in the US at the start of the year. The Europe region, on the other hand, developed better than anticipated.

As expected, raw material prices remained stable. The euro, on the other hand, displayed unexpected strength relative to a large number of currencies important to the Group. In the previous year, this currency had displayed the opposite development.

Due to currency effects, this means that the long-standing average annual growth rate of around 5% was not achieved, despite organic growth of 4.0%. Taking into account the conversion effects of -3.3%, Group sales revenues rose by 0.7%.

The regional customer distribution displays only slight differences from the previous year. At 52.3% (52.7%), customers based in Europe continue to represent around one half of all customers. Outside Europe, the majority of customers are based in the Asia-Pacific, Africa region with a 30.6% share of total sales revenues (29.4%). A further 17.1% (17.9%) of Group sales revenues were generated in North and South America.

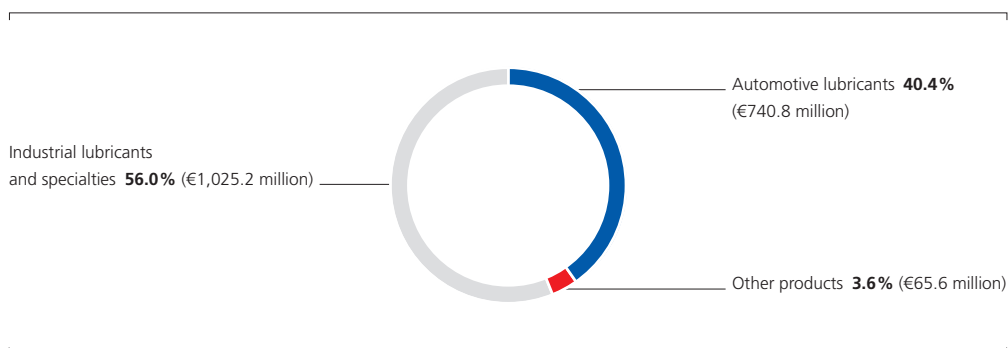
### HIGH GROWTH RATES IN ASIA-PACIFIC, AFRICA

The European companies generated sales revenues of €1,104.2 million in the reporting year (1,080.7). This figure represents 2.2% or €23.5 million more than in the previous year. The key drivers of this were increases in volume, primarily in Germany, but also in Italy, France, and Russia. Organic growth was €32.1 million or 3.0%. Weaker exchange rates of the British pound and the Russian ruble had the opposite effect. The effect on Group sales revenues was –€8.6 million or –0.8%.

As was the case in the previous year, the Asia-Pacific, Africa region recorded the greatest absolute increase in sales volumes of all regions. At the same time, this region also recorded the greatest absolute and relative organic growth in sales revenues of +€45.6 million or +9.4%. Besides the companies in China, our companies in South Africa, Singapore, and Indonesia all recorded significant growth. Due to currency effects, our Australian company was not quite able to repeat the previous year's revenue. While the Australian dollar still provided highly positive conversion effects in the previous year, it fell sharply relative to the euro in the reporting year. The Asian currencies were also weaker than in the previous year when converted to the Group currency. The currency translation effects of all companies together are –€34.5 million or –7.1%. The region recorded total growth of €11.1 million or 2.3%, and the companies generated sales revenues of €497.9 million (486.8).

At €4.0 million or +1.2%, the North and South America region only recorded slight organic growth in 2013. This was largely due to unexpectedly weak demand in the industrial business of our US company at the start of the year. At the same time, the euro became stronger relative to the relevant local currencies. The effect from conversion to the Group currency was –€17.0 million or –5.3%. Total sales revenues in the region declined by 4.1% or €13.0 million to €307.3 million (320.3).

### BREAKDOWN OF GROUP SALES REVENUES BY PRODUCT GROUPS



# Results of operations

## CONSOLIDATED RESULTS OF OPERATIONS

### INCREASE IN EARNINGS CONTINUES

The FUCHS PETROLUB Group successfully continued its earnings growth in 2013. Earnings before interest and tax (EBIT) increased by 6.6% to €312.3 million (293.0), while earnings after taxes increased by 5.6% to €218.6 million (207.0).

Due to currency effects, the increases in sales volumes recorded by the Group within the scope of its growth initiative only led to a 0.7% increase in sales revenues. Thanks to an improved margin, however, gross profit increased by 3.6% or €23.9 million to €689.9 million (666.0). The gross margin increased to 37.7% (36.6%).

At €385.1 million (376.1), expenses for selling, distribution and administration, as well as research and development, are €9.0 million or 2.4% higher than in the previous year. Freight costs and other selling and distribution expenses exceeded the previous year's figures due to the higher level of business conducted. Beside this, the increase in the number of employees in the course of our growth initiative had an effect on wages and salaries, as did the usual annual inflation adjustment. The ongoing construction work to build new facilities and expand existing facilities in important markets once again increased the cost base. However, the stronger euro dampened the cost increase here.

At –€6.0 million (–11.1), other operating income in 2013 was less burdened than in the previous year. Expenses in Great Britain due to the transfer of risks from pension liabilities to an insurance company were €1.6 million in the reporting year (4.2). In addition to this, the previous year's figure included expenses accrued within the context of the legal action in the Middle East.

EBIT before income from companies consolidated at equity increased by €20.0 million or 7.2% to €298.8 million (278.8), and the corresponding margin increased by one percentage point to 16.3% (15.3%). Including earnings of companies consolidated at equity, the Group generated EBIT of €312.3 million (293.0). EBIT, an important driver of FVA, was €19.3 million or 6.6% above the previous year's figure. This actually represents a pleasant increase in the light of the previous year's high basis, a difficult economic situation in countries in Southern Europe and South America, as well as significant currency effects.

At –€1.6 million, the financial result remained at around the previous year's level (–1.9). Despite greater net liquidity in the Group, the interest on pensions and the differences in the interest rate between various currencies led to net interest expenses. The interest rates in funding currencies such as the Russian ruble, Brazilian real, or Indian rupee were much higher than the interest rates in the investment currencies such as the euro or US dollar.



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The rate of taxation (income tax relative to earnings before tax without income from companies consolidated at equity) increased slightly year-on-year from 30.4% to 31.0%. This can largely be attributed to the provision put in place for tax risks in the Asia-Pacific, Africa region. Income taxes were €92.1 million (84.1).

The Group recorded earnings after taxes of €218.6 million (207.0), which corresponds to an increase of €11.6 million or 5.6%. The net profit margin was 11.9% (11.4%).



FUCHS shares

Earnings per ordinary and preference share increased by around 5.5% or €0.16 year-on-year to €3.06 (2.90) and €3.08 (2.92) respectively.

Earnings developments in 2013 were therefore in line with the forecasts we made at the start of the year. As anticipated, the Group was able to increase EBIT thanks to higher gross income and a lower increase in personnel and overhead costs. The Group was able to record higher profit after tax and an increase in earnings per share.

#### **EUROPE AND ASIA-PACIFIC, AFRICA WITH DISPROPORTIONATELY HIGH INCREASES IN EARNINGS**

The two regions of Europe and Asia-Pacific, Africa not only increased their sales revenues, but also their earning power. Segment earnings (EBIT) in Europe rose by €18.9 million or 14.1% to €152.5 million (133.6) and in Asia-Pacific, Africa by €7.1 million or 7.4% to €103.4 million (96.3). EBIT before income from companies consolidated at equity as a % of sales revenues increased in Europe to 13.7% (12.3%) and in Asia-Pacific, Africa to 18.3% (17.1%).

The success in Europe is mainly attributable to the companies in Germany, although the companies in Poland, France, and Italy also made a valuable contribution. In Asia, our two Chinese companies were the main drivers of the significant increase in income.

The North and South America region was not quite able to maintain its high earning power in 2013. Influenced primarily by slow business in the US at the start of the year and currency conversion effects, the region's EBIT declined by €5.3 million or 7.9% to €62.2 million (67.5). The ratio of EBIT before income from companies consolidated at equity to sales revenues decreased to 20.2% (21.1%), but still represents the highest value in the Group.

In our forecast at the start of 2013, we anticipated increases in earnings, in particular in Asia with a focus on China, as well as in North America. While our expectations were met in China, North America recorded a dip. However, significantly better development than anticipated in Europe, especially in Germany and Southern Europe, was able to compensate for this.

## RESULTS OF OPERATIONS OF THE REGIONS

Segment reporting is performed in line with the Group's internal organization and reporting structure, which is grouped according to the three geographic regions of Europe, Asia-Pacific, Africa, and North and South America, and also takes into account the companies' registered offices.

The internal assessment of the success recorded by the regions is performed on the basis of earnings before interest and tax (EBIT). Unlike subsidiaries or indeed the whole Group, no FVA key performance indicator is calculated for the geographical regions. To determine the capital employed, we use a simplified system based on the carrying amounts in the balance sheet, which can vary greatly due to the often quite different history of the various companies.

The FVA concept focuses on providing an incentive to achieve EBIT in excess of capital costs. Applying the FVA indicator determined on the basis of carrying amounts as a criterion for comparing companies or regions is not effective and is therefore not used for internal control purposes.

### DEVELOPMENT OF THE REGIONAL LUBRICANT MARKETS

Having recorded a decline in the previous year, global lubricant consumption increased in 2013. The markets in Asia-Pacific, Africa and North and South America grew by approximately 1%, while Europe remained at around the previous year's level.

### SALES REVENUES IN THE FUCHS PETROLUB GROUP BY CUSTOMER LOCATION

Amounts in € million	2013	Share in %	2012	Share in %	Change	in %
Europe	958.5	52.3	958.3	52.7	0.2	0.0
Asia-Pacific, Africa	560.3	30.6	535.4	29.4	24.9	4.7
North and South America	312.8	17.1	325.4	17.9	-12.6	-3.9
<b>Total</b>	<b>1,831.6</b>	<b>100.0</b>	<b>1,819.1</b>	<b>100.0</b>	<b>12.5</b>	<b>0.7</b>



Segments

## EUROPE

<b>Segment information (in € million)</b>	<b>2013</b>	2012
Sales revenues by customer location	958.5	958.3
Sales revenues by company location	1,104.2	1,080.7
Depreciation and amortization	17.6	17.4
EBIT before inclusion of companies consolidated at equity	151.3	132.6
Income from companies consolidated at equity	1.2	1.0
Segment earnings (EBIT)	152.5	133.6
Additions to property, plant and equipment, financial assets and intangible assets	32.0	34.9
Employees (average number)	2,356	2,311
<b>Key performance indicators (in%)</b>		
Ratio of EBIT before inclusion of companies consolidated at equity relative to sales revenues	13.7	12.3

With good sales volumes, revenue, and earnings trends, Europe exceeded expectations and forecasts in 2013. While the sales revenues of the companies with customers in the region remained at the previous year's level of €958.5 million (958.3), the export business grew. Due to higher volumes, the companies were able to increase their sales revenues by 2.2% to €1,104.2 million (1,080.7). The German companies recorded the greatest gains. Beside this, the increases in sales revenues at our companies in Italy and France were particularly encouraging. Poland, Austria, Ukraine and Sweden also recorded appreciable increases.

The growth in sales revenues recorded by these companies was accompanied by improved income and better earning power. Besides Italy, the other Southern European entities also generated disproportionately high income gains. The region's EBIT increased by 14.1% to €152.5 million (133.6). The ratio of EBIT before income from companies consolidated at equity relative to sales revenues increased to 13.7% (12.3%).

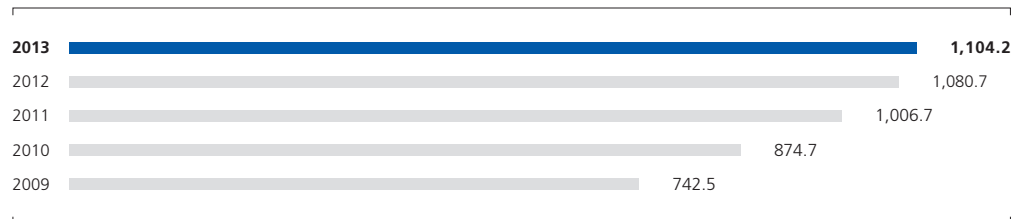
Germany recorded sound business development across all customer sectors. In Great Britain, our industrial business continued to display pleasing development. The companies in France and the countries of Southern Europe were able to build on their position as lubricant specialists in a difficult environment.

In Central and Eastern Europe, our Polish company enjoyed particular success. The structured cultivation of the market was rewarded by increases in sales revenue in the industrial and automotive fields which resulted in an improved earnings position. Following several years of powerful growth, the gains recorded in Russia in 2013 were more modest and also further impaired by currency translation effects. However, we expect to see further significant growth in Russia again in 2014 following the successful start-up of the new facility.

The processes of closing the production facility in Portugal and of reorganizing the business of an English company that focuses on special applications were completed in the reporting year. Thanks to the new structure, in future we anticipate improved customer support and greater efficiency in both production and sales.

#### DEVELOPMENT OF SALES REVENUES IN EUROPE BY COMPANY LOCATION

(in € million)



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Segments

## ASIA-PACIFIC, AFRICA

Segment information (in € million)	2013	2012
Sales revenues by customer location	560.3	535.4
Sales revenues by company location	497.9	486.8
Depreciation and amortization	5.9	4.5
EBIT before inclusion of companies consolidated at equity	91.1	83.1
Income from companies consolidated at equity	12.3	13.2
Segment earnings (EBIT)	103.4	96.3
Additions to property, plant and equipment, financial assets and intangible assets	21.2	24.3
Employees (average number)	866	838
<b>Key performance indicators (in%)</b>		
Ratio of EBIT before inclusion of companies consolidated at equity relative to sales revenues	18.3	17.1

Asia-Pacific, Africa was once again the most dynamic region in the FUCHS PETROLUB Group. Our Chinese companies were the main contributors to the high level of organic growth in sales revenues. Although business in China continues to be dominated by customers in the automotive sector, our structured market cultivation is paying off in the form of increased industrial and specialty business, as well as good mining business.

In Australia, our business with mining customers was influenced by the weaker demand for Australian raw materials. Increased volumes with customers in the industrial and automotive business could not fully compensate for this. Just like in South Africa, sales revenues in Australia also suffered due to the weakness of the local currency relative to the euro. Disregarding this, our South African company continued its successful development with increases in both volumes and sales revenues.

Our companies in Southeast Asia recorded healthy increases in revenue with double-digit increases in volume and were able to further extend their market position.

Total sales revenues in the region by company location increased by €11.1 million or 2.3% to €497.9 million (486.8). The Group's entire business with customers in the region even increased by 4.7% or €24.9 million to €560.3 million (535.4), although currency translation effects adversely affected the actual growth figures in all cases.



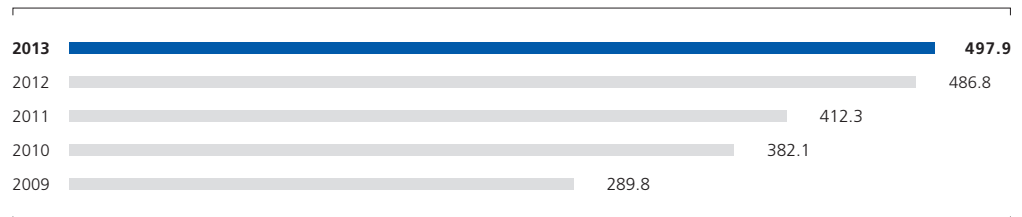
The earnings development was also positive. With a rise of 7.4% or €7.1 million to €103.4 million (96.3), the region increased its EBIT more than its sales revenues. The relative strength of earnings, expressed as the ratio of EBIT before inclusion of companies consolidated at equity relative to sales revenues, increased to 18.3% (17.1%).

More than half of segment earnings was generated by our two Chinese companies. In addition to this, the companies in Australia and South Africa made a significant contribution to the success recorded. The fact that, besides these four companies, most of the other Asian companies recorded double-digit EBIT gains and thereby display excellent earnings power, is also encouraging.

Construction work for a new facility in Northern China, which began in 2012, has now been completed. The FUCHS PETROLUB Group therefore now has another modern facility in this important growth market. This lays the foundations for continued further development of our Chinese customer base.

#### DEVELOPMENT OF SALES REVENUES IN ASIA-PACIFIC, AFRICA BY COMPANY LOCATION

(in € million)



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Segments

**NORTH AND SOUTH AMERICA**

<b>Segment information (in € million)</b>	<b>2013</b>	2012
Sales revenues by customer location	312.8	325.4
Sales revenues by company location	307.3	320.3
Depreciation and amortization	4.2	4.5
EBIT before inclusion of companies consolidated at equity	62.2	67.5
Income from companies consolidated at equity	0.0	0.0
Segment earnings (EBIT)	62.2	67.5
Additions to property, plant and equipment, financial assets and intangible assets	17.1	13.7
Employees (average number)	540	524
<b>Key performance indicators (in%)</b>		
Ratio of EBIT before inclusion of companies consolidated at equity relative to sales revenues	20.2	21.1

Following an extremely successful 2012, the North and South America region recorded a rather weak first half of 2013. Our US business with industrial and mining customers was characterized by significantly weaker demand than anticipated. Improved OEM business with customers from the automotive industry was only able to partially compensate for this. Our consistent market cultivation and approach to winning new customers are now having positive effects, and a reversal in trends could be achieved in the second half of the year.

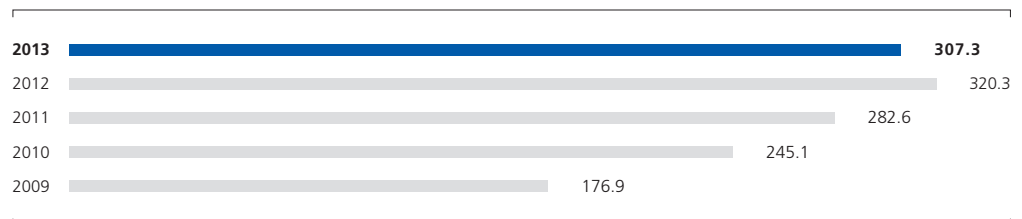
With the exception of Argentina, the other countries in the region were able to record increases both in terms of volume and revenue. Following weaker growth in the previous year, the company in Brazil was in particular able to return to its previous dynamics with double-digit increases. However, the Argentinian economy suffered from a heightening of the crisis symptoms, which created a difficult environment for our company to operate in.

In addition to the relative strength of the euro, the pronounced weakness of the South American currencies had a negative effect when converting local sales revenue and earnings figures to the Group currency. Despite achieving slight organic growth, the companies in North and South America recorded a decline in sales revenues of 4.1% or €13.0 million to €307.3 million (320.3) as a result of this. The sales revenues of all Group companies with customers from the region decreased to €312.8 million (325.4).

The FUCHS PETROLUB Group is continuing its systematic market cultivation in the region. In the US, the extended and modernized facility in Harvey near Chicago is enabling further growth in the industrial and OEM business. This investment was the basis for the planned closure of an old location in the US. At the same time, preparations are underway for construction of a new facility in Brazil. With this investment, the Group is targeting development of additional business fields and increased market penetration.

The region had to accept a reduction in segment earnings in 2013. EBIT decreased by 7.9% or €5.3 million to €62.2 million (67.5). Yet despite this, the ratio of EBIT before inclusion of companies consolidated at equity relative to sales revenues recorded the highest value of all regions at 20.2% (21.1%).

**DEVELOPMENT OF SALES REVENUES IN NORTH AND SOUTH AMERICA BY COMPANY LOCATION**  
(in € million)



# Net assets and financial position

## BALANCE SHEET STRUCTURE

### INVESTMENTS AND INCREASED LIQUIDITY LEAD TO A RISE IN THE BALANCE SHEET TOTAL

The balance sheet total increased by 4.8% to €1,162.0 million (1,108.7). Alongside additional investments in property, plant and equipment, this was primarily due to greater cash and cash equivalents.

The balance sheet structure remained virtually unchanged. At 59.8% (60.3%) of the balance sheet total, short-term assets are the dominant factor, while long-term assets increased slightly to 40.2% (39.7%) and amount to €468.2 million (440.4).

### INVESTMENTS IN NEW AND EXISTING FACILITIES INCREASE PROPERTY, PLANT AND EQUIPMENT

Long-term assets were mainly affected by investments made in new and existing facilities. Property, plant and equipment increased by €31.6 million to €284.5 million (252.9) and therefore represent 24.5% of total assets. Since the start of the growth initiative in 2007, the Group has almost doubled its property, plant and equipment.

Intangible assets are the second largest item in the Group's long-term assets. At €82.0 million (84.8), around three quarters of the €108.2 million (112.7) is attributable to goodwill. The values resulting from earlier acquisitions are subjected to an impairment test on a yearly basis. Aside from exchange rate fluctuations, their value has hardly changed for years. In contrast with this, customer bases and similar assets are amortized and amounted to €26.1 million (27.6) as at December 31, 2013.

The carrying amount of the five companies included in the consolidated financial statements at equity rose to €43.3 million (40.4), as the proportion of non-distributed profits increased.

### NET OPERATING WORKING CAPITAL REDUCED

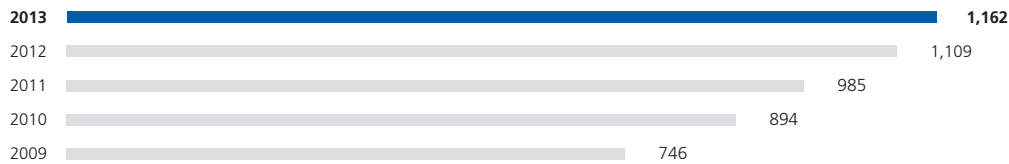
The business model employed by FUCHS PETROLUB requires more short-term assets than long-term assets. Short-term assets primarily comprise the inventories needed to secure a high degree of readiness to deliver and trade receivables as a supplementary factor of a customer-supplier relationship.

At a total of €492.8 million (489.7), the scope of inventories and trade receivables hardly changed year on year (+0.6%). **NET OPERATING WORKING CAPITAL** (NOWC) is an important KPI for the Group within the scope of its value-oriented corporate control and thereby its FVA concept. Besides inventories and receivables, the KPI of NOWC takes into account trade payables. As at the end of 2013, the Group had reduced the net amount of inventories plus trade receivables less trade payables to €360.5 million (369.9).

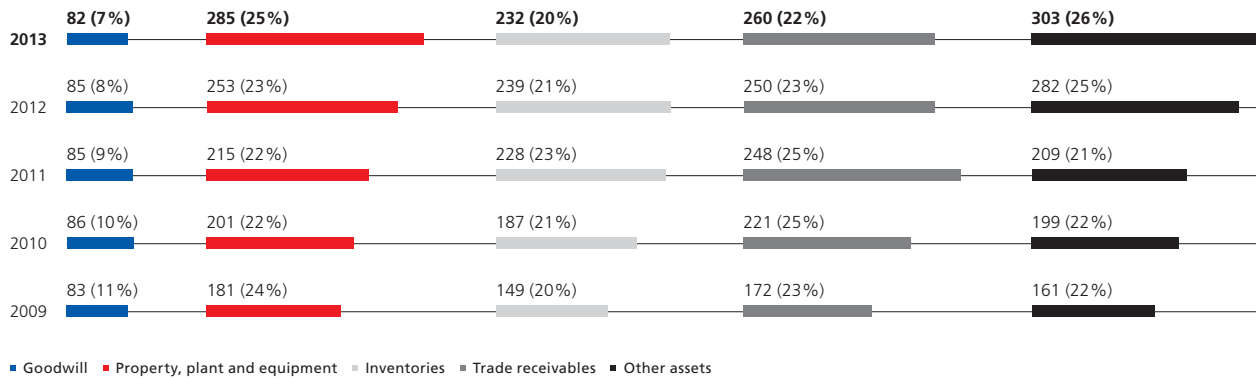


## STRUCTURE OF ASSETS AND CAPITAL

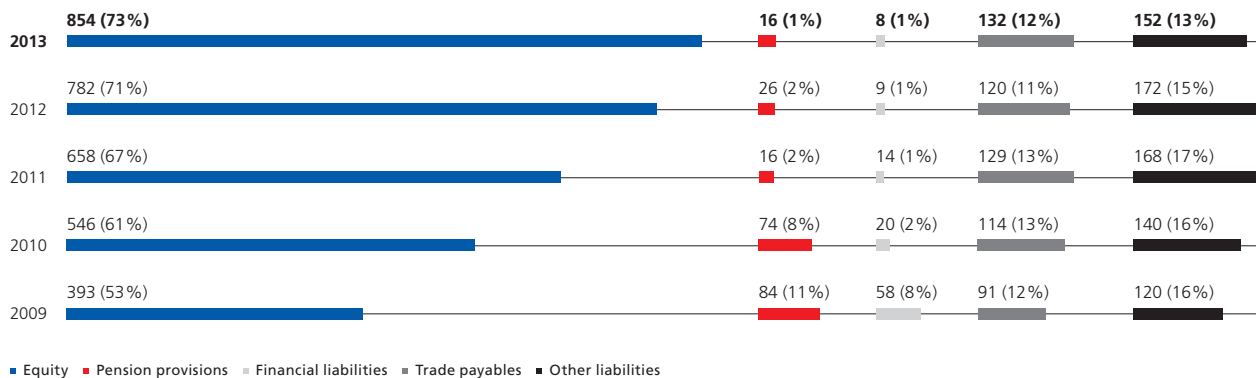
## BALANCE SHEET TOTAL IN € MILLION



## ASSETS IN € MILLION



## EQUITY AND LIABILITIES IN € MILLION



The ratio of NOWC to annualized sales revenues in the fourth quarter led to a value of 19.9% (21.0%) as at December 31, 2013. Beside the decrease in NOWC, which was also due to exchange rate movements, the higher sales revenues recorded in the fourth quarter of 2013 over the same quarter of the previous year also had a positive effect on this ratio. The average capital tie-up period dropped to 73 days (77).

Beside net operating working capital, the Group also held cash and cash equivalents of €175.2 million (143.7) on the balance sheet date.

#### SHAREHOLDERS' EQUITY AND EQUITY RATIO UP AGAIN

The shareholders' equity of the FUCHS PETROLUB Group increased once again. At €853.5 million (781.7) and an **EQUITY RATIO** of 73.5% (70.5%), it represents a new high. The Group was able to finance all of its investments in property, plant and equipment within the scope of its growth initiative using shareholders' equity.

A KPI for measuring the profitability of the shareholders' equity deployed is return on equity (ROE = profit after tax relative to the average shareholders' equity determined on the basis of interim quarterly reports). In the light of a more pronounced increase in equity capital (+ 14.6%) than the corresponding increase in profit after tax (+ 5.6%), the ROE in 2013 declined to 26.7% (29.0%) in 2013.

At €41.0 million (54.4), the Group only makes use of long-term liabilities to a very limited extent. Pension liabilities once again displayed a downward trend at just €15.8 million net (26.4). In Great Britain further risks were transferred to an insurance company, resulting in further risks being reduced in the reporting year.

The high proportion of long-term capital, in particular shareholders' equity, provides FUCHS with financial flexibility. The Group is in a position to continue its growth initiative, while at the same time seeking external acquisition options and also maintaining its continuous dividend policy. In November 2013, the Group began using a portion of its liquidity surplus to buy back own shares, in addition to its dividend policy. The intention is to buy back own shares equal to no more than €100 million by March 2015 at the latest. Our objective with this approach is to get closer to our long-term goal of a balanced financing structure made up of shareholders' equity and borrowed capital. The buyback program can be prematurely terminated at any time, for example if a suitable acquisition requires a greater allocation of funds.

As at the end of 2013, the Group held short-term liabilities of €267.5 million (272.6). This corresponds to 22.9% (24.6%) of the balance sheet total. Around half of this was attributable to trade payables, which increased to €132.3 million (119.8). Financial liabilities were €7.8 million (8.9). At €127.4 million (143.9), other short-term liabilities, including tax liabilities and provisions, declined from the previous year's level.



Taking into account short-term financial liabilities of €7.8 million (8.9), the Group had net liquidity of €167.4 million (134.8) on the balance sheet date. The buyback of own shares for €22.0 million is already included in this figure.

In light of the current financial situation, external ratings are not necessary. However, the Group is capable of subjecting itself to a rating process at any time if this becomes necessary for refinancing purposes on the capital market. The internal processes required for this are already in place. The FUCHS Value Added system of value-oriented corporate control is a powerful instrument that is well suited to this.

#### FUCHS REMAINS A STRONG PARTNER TO CUSTOMERS AND SUPPLIERS

With its high equity ratio and good level of liquid funds available, FUCHS not only remains a reliable supplier, but also a solvent customer. Technical performance coupled with economic and financial stability.

#### DEVELOPMENT OF THE KEY DRIVERS OF AVERAGE CAPITAL EMPLOYED\*

in € million	2013	2012	Change absolute	Change relative in %
Property, plant and equipment*	267.8	231.3	36.5	15.8
Intangible assets*	111.7	115.0	-3.3	-2.9
Net operating working capital*	376.5	371.5	+5.0	+1.3
<b>Sum of significant drivers*</b>	<b>756.0</b>	<b>717.8</b>	<b>38.2</b>	<b>5.3</b>
Other items*	30.3	19.5	10.8	55.4
<b>Capital employed*</b>	<b>786.3</b>	<b>737.3</b>	<b>49.0</b>	<b>6.6</b>

\* Average figures, each based on five quarterly values.

As a result of comprehensive investments in new and existing facilities, FUCHS PETROLUB employed significantly greater property, plant and equipment in 2013 (+ 15.8%) than in the previous year. At 6.6%, however, the overall increase in total capital employed was more moderate.

The drivers specifically addressed within the scope of value-driven corporate governance of investments (property, plant and equipment, as well as intangible assets) and net operating working capital (in particular inventories and receivables) increased by 5.3% in total.

The increase due to investments developed according to plan. With regard to NOWC we are targeting a reduction or a disproportionately low increase in the future, irrespective of the management limits resulting from our business model. In particular, inventories can only be reduced slightly in a specialty enterprise with a high level of service quality.

## CAPITAL EXPENDITURE AND ACQUISITIONS

### CAPITAL EXPENDITURES

Pursuant to our forecast at the start of the year, capital expenditures in 2013 remained at the previous year's level. FUCHS PETROLUB invested €72.8 million (71.4). Construction work on new facilities and modernization of existing facilities will continue for a few more years. Once the projects are complete, however, the investment level will go down again.

The largest investment in property, plant and equipment in the reporting year we made in China. The new facility in Yingkou was opened on October 20, 2013 and has now replaced production at the old site, which had become too small. FUCHS is therefore not only capable of meeting customer requirements more quickly and efficiently, but also has sufficient capacities to continue the excellent growth it has recorded over the last few years in the Chinese market.

We were also able to largely complete another key investment in the reporting year at our facility in Harvey near Chicago, where the production site has been considerably extended and modernized. This creates solid foundations for further growth, both in our traditional industrial business and in the OEM business.

The opening of our new Russian facility in Kaluga to the south west of Moscow was a third milestone. This newly constructed facility replaces a small site in Yaroslavl to the north east of Moscow and offers many opportunities to maintain the dynamic growth recorded over the last few years through improvements in production and logistics.

In addition to this, we made investments at various other locations. In Brazil, preparatory work for construction of a new facility is well underway. Having overcome many administrative hurdles, construction work is now scheduled to commence in 2014. Appreciable funds were also invested into the existing infrastructure in Germany (Mannheim and Kaiserslautern), as well as in Melbourne, Australia, with a view to modernizing and extending existing facilities.

The Group spent a total of €70.2 million (61.0) on property, plant and equipment, as well as intangible assets. A further €2.6 million were allocated to financial assets. These include the business acquired in Norway in the summer of 2013. Our current sales partner, FUCHS LUBRICANTS NORWAY AS (formerly FUCHS OFF SHORE LUBRICANTS AS) in Bergen, Norway, supplies industrial customers, primarily in the offshore industry, and generates sales revenues in the low single-digit million range.



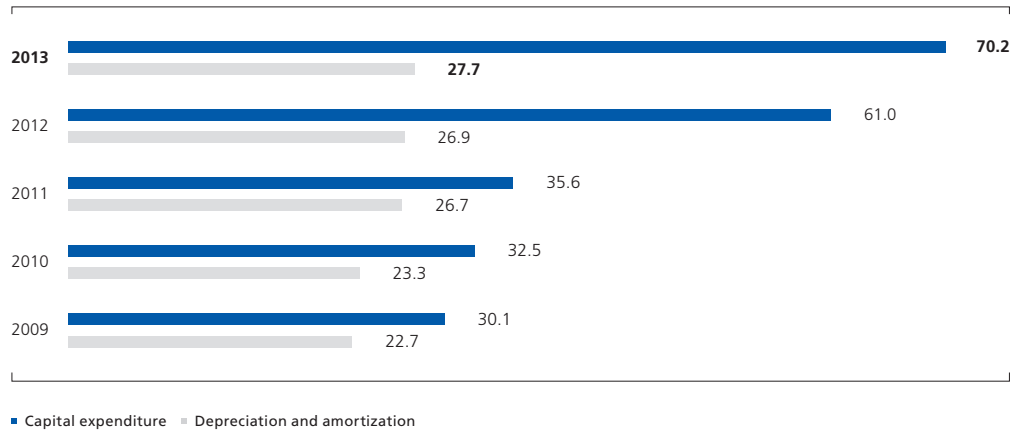
### DEPRECIATION AND AMORTIZATION

Depreciation of property, plant and equipment, intangible assets and financial assets increased to €28.2 million (26.9).

### INVESTMENTS IN ACQUISITIONS

In the reporting year, FUCHS acquired the minority interests of the co-shareholder in the Ukraine.

### CAPITAL EXPENDITURE AND DEPRECIATION AND AMORTIZATION – TANGIBLE AND INTANGIBLE ASSETS (excluding goodwill) in € million



Statement of changes  
in long-term assets

## STATEMENT OF CASH FLOWS



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FUCHS PETROLUB generated free **CASH FLOW** of €149.9 million in 2013 (140.4), despite its high level of capital expenditure.

The basis for this success was another year of record earnings after taxes of €218.6 million (207.0). Primarily taking into account amortization expenses of €28.2 million (26.9), gross cash flow increased to €224.6 million (219.0).

### LOW ADDITIONAL COMMITTED FUNDS FROM OPERATING ACTIVITIES

Additional net operating working capital, as well as a small balance of other assets and liabilities, was financed using gross cash flow. Adjusted for currency effects, net operating working capital increased by €8.6 million (24.9), while other assets and liabilities tied up €0.9 million (9.0). Cash flow from operating activities therefore increased to €215.1 million (203.1).

The funds used within the scope of investing activities led to a cash outflow of €65.2 million (62.7). This figure includes record investments in fixed assets of €72.8 million (71.4) and also takes into account €5.4 million in dividends received from companies consolidated at equity (7.9).

Free cash flow therefore increased to an impressive €149.9 million in the reporting year (140.4), which is in line with the forecast we made at the end of the third quarter (more than €130 million).

#### **FREE CASH FLOW OF €149.9 MILLION FACILITATES A HIGHER DIVIDEND PAYOUT AND INCREASES OUR LIQUIDITY CUSHION**

In 2013, the Group paid out a large portion of its free cash flow to shareholders in the form of dividend payments and share buybacks. The dividends paid for the previous year were increased by €21.1 million to €92.0 million (70.9), and €22.0 million (0.0) was deployed for share buyback purposes. Cash and cash equivalents increased by €31.5 million to €175.2 million (143.7).



Statement of cash flows

## **LIQUIDITY SITUATION, FINANCING STRUCTURE, AND DIVIDEND POLICY**

### **LIQUIDITY DEVELOPMENT AND FINANCING STRATEGY**

The Group has significant cash and cash equivalents. These secure its flexibility and independence. At the same time, they also support a continuous dividend policy, which targets constant increases or at the very least stable dividend payouts to shareholders in the SE. The Group and its controlling holding company thereby pursue a continuous dividend policy and do not apply a fixed distribution rate to the earnings generated in the respective year.

Cash and cash equivalents also enable FUCHS to act quickly should suitable acquisition opportunities arise. In addition to this, the Group has access to free lines of credit of €140 million (148) at banks. The company also has the option to raise funds from the capital market.

In the fourth quarter of 2013, FUCHS PETROLUB SE began buying back its own shares. This decision was taken due to the robust level of shareholders' equity and further increases of cash and cash equivalents, as well as to optimize the capital structure. Aside from this, there were no appreciable liquidity requirements for acquisitions at this time. Shares up to a total value of €100 million can be bought back, and €22.0 million was already allocated to this purpose in the period under review.

# Overall position and performance indicators

The Executive Board is convinced that the FUCHS PETROLUB Group is in an excellent economic position, as underlined by the company's earning power, stability, and liquidity.

## EARNING POWER AS A PERFORMANCE INDICATOR



Controlling system

Pursuant to the description of the controlling system (see page 65), FUCHS employs a uniform KPI for the purposes of value-oriented corporate control in the form of FUCHS Value Added (FVA). The earnings position as well as the net assets and financial position are included in FVA. The earnings position is represented by earnings before interest and tax (EBIT). The net assets and financial position are reflected in the costs for the average capital employed. Only when the recorded EBIT is higher than the costs of capital employed is value added.

### THE WEIGHTED INTEREST RATE (WACC)

The costs of capital employed are calculated using a weighted interest rate (WACC), the level of which is reviewed annually at the end of each year using the Capital Asset Pricing Model (CAPM) and financial market data.

The following values were recorded as at the end of 2013:

- Shareholders' equity costs<sup>1</sup> = 8.4% (8.3%) after and 12.0% (11.9%) before taxes
- Borrowing costs<sup>2</sup> = 2.5% (2.2%) after and 3.6% (3.1%) before taxes
- Financing structure<sup>3</sup> = 88% (88%) shareholders' equity and 12% (12%) borrowed capital
- Typical Group rate of taxation = 30% (30%)

<sup>1</sup> (Risk-free interest + market risk premium × sectoral risk in the form of the beta factor).

<sup>2</sup> (Risk-free interest + sector-specific risk surcharge).

<sup>3</sup> (Sectoral or target financing structure at market values).

For several years, FUCHS PETROLUB has been using a weighted cost of capital of 11.5% before taxes within the scope of its value-oriented corporate control approach, both for internal performance calculations and when determining the level of profit-sharing for the holding company's management and employees.

If the review performed on the balance sheet date does not indicate any significant deviations, this WACC will be maintained for reasons of continuity, as was also the case at the end of 2012. The calculated shareholders' equity and borrowing costs increased again slightly since the turn of 2012/2013, as did the WACC determined on the basis of this.

Pursuant to CAPM and financial market data at the end of 2013, the calculated WACC is 11.0% (10.9%) before or 7.7% (7.6%) after taxes. We consider these figures to confirm the appropriateness of the WACC used by FUCHS of 11.5% before taxes for 2013.

For calculating FVA, the WACC is employed as the pre-tax interest rate, since the earnings position is also incorporated as a pre-tax figure in the value determination process.

#### FVA INCREASED AGAIN IN 2013

in € million	2013	2012	Change absolute	Change relative in %
EBIT	312.3	293.0	19.3	6.6
Capital employed				
Equity*	819.7	715.5	104.2	14.6
+ Financial liabilities*	7.4	12.1	4.7	-38.8
+ Net pension provisions*	20.1	17.6	2.5	14.2
+ Amortized goodwill*	85.2	85.2	-	-
- Cash*	146.1	93.1	53.0	56.9
Capital employed total	786.3	737.3	49.0	6.6
Pre-tax WACC (in %)	11.5	11.5		
Cost of capital	90.4	84.8	5.6	6.6
<b>FVA</b>	<b>221.9</b>	<b>208.2</b>	<b>13.7</b>	<b>6.6</b>

\* Average figures, each based on five quarterly values.

Both control variables and drivers of FVA, i. e. earnings and capital employed, increased by 6.6% in 2013. The Group therefore also increased FVA, in other words its economic profit, by 6.6%.

Having remained unchanged from the previous year at 39.7%, the total return on capital employed (**ROCE** = EBIT relative to average capital employed) is significantly higher than the weighted capital costs before taxes at 11.5%.

This high return on capital, coupled with the increase in FVA, means that the same high return was generated with both the additional capital employed and the existing capital.



## STABILITY AS A PERFORMANCE INDICATOR

An established KPI for assessing the FUCHS PETROLUB Group's net assets and financial position is net gearing. Net gearing is the ratio of financial liabilities less cash and cash equivalents to shareholders' equity. In the light of the high level of cash and cash equivalents at €175.2 million, which greatly exceeded the low financial liabilities of just €7.8 million, the Group was essentially debt-free in 2013. This KPI therefore once again had a value of zero in the reporting year, which serves to further underline the Group's excellent financial stability.

## LIQUIDITY AS A PERFORMANCE INDICATOR

Free cash flow represents a suitable measurement for assessing the Group's ability to distribute dividends and repay debts. In 2013, FUCHS PETROLUB generated free cash flow of €149.9 million (140.4). This figure, in combination with the cash and cash equivalents in place from the previous year, will allow the share buyback program initiated in 2013 to continue in 2014. In addition to this, it will also be possible to pay higher dividends than in the previous year and provide sufficient funds for acquisitions.

## Supplementary report

No transactions of particular importance with an appreciable bearing on the results of operations, net assets, or financial position of the FUCHS PETROLUB Group occurred after the end of the financial year.

# Opportunity, risk and forecast report

Our opportunity and risk policy focuses primarily on sustainably securing the going concern and growth of the company value of the FUCHS PETROLUB Group. Early and successful detection of opportunities, as well as identification, appropriate assessment, and adequate reaction to the risks associated with business operations meet our company objective and form the basis for our actions. The diverse opportunities for the Group result from its technological leadership in important business areas, the broad range of its product portfolio, cooperations with local and international customers, as well as its global positioning. On the basis of this, we see potential for developing further sectors and niches, as well as for stable and continuous company development.

The following outlines our understanding of opportunities and risks:

- Opportunities represent possible future developments or events that could lead to positive deviations from the company's forecasts or targets.
- Risks represent possible future developments or events that could lead to negative deviations from the company's forecasts or targets.

The analysis and assessment of the Group's opportunity and risk position are subject to continuous examination by the Executive Board and Group Management Committee (GMC).

## OPPORTUNITY REPORT

### THE GROUP'S OPPORTUNITY MANAGEMENT SYSTEM

Within a dynamic market environment, the FUCHS PETROLUB Group's global business operations continuously present new opportunities, the systematic detection and utilization of which are key components of our sustainable growth policy. The Executive Board, the GMC, the central functions and the subsidiaries all cooperate closely within the scope of our opportunity management approach. The Executive Board and the GMC substantiate these opportunities within the scope of annual business planning and target agreements and then coordinate them with the management supervisor responsible for operations at the subsidiaries. The Executive Board will endeavor to secure an adequate balance between opportunities and risks on the basis of the business model, whereby the objective of generating added value for our shareholders is pursued. We are planning to introduce a system of opportunity reporting for 2014 that is analog to our risk reporting approach.

The Group employs planning, governance, and reporting processes to ensure early detection of opportunities. The global information is regularly consolidated within the scope of budget and general projections. The scope of opportunity consolidation does not deviate from the scope of consolidation for the Group financial statements.

### **MACROECONOMIC OPPORTUNITIES**

We continually diversify and strengthen both our customer structure and our product portfolio through the global presence of the FUCHS PETROLUB Group in all industrial markets of established and emerging economies. Our goal is to participate in dynamic developments, acquire new customers, and win additional orders. The business model contributes to diverse opportunities resulting from the various regions, sectors, products, and customers. On the basis of economic analyses of recognized institutes, market information, and our monitoring systems, we endeavor to react appropriately to the latest developments.

### **CORPORATE STRATEGY OPPORTUNITIES**

On the basis of our mission statement LUBRICANTS.TECHNOLOGY.PEOPLE., our focus on lubricants, our capacity for innovation, our technological product leadership, our pronounced quality consciousness and our qualified employees represent important pillars for corporate success. These strengths, together with a financially sound business model and early detection of future requirements with regard to product, environmental protection, legal and regulatory requirements, support further expansion of our leading position in the global lubricant markets and development of optimum lubricant solutions. The FUCHS PETROLUB Group maintains development partnerships between its own powerful R&D centers and universities, associated research institutes, and customers. Our strategy is defined within the scope of our growth initiative.

In addition to this, the sustainability activities initiated by the Executive Board bundle and combine the economic, ecological, and social aspects of our management actions with consistent development of opportunities in a targeted way and with a view to further increasing company value, as well as contributing to a reduction in energy use and further saving of resources.

### **SECTOR-SPECIFIC AND MARKET-SPECIFIC OPPORTUNITIES**

The physical and organizational structure of our high level, 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. We therefore consider the aspect of sustainability not only as an opportunity, but also work continuously to secure further positive development of our company value, to anticipate and then implement new trends in the field of energy saving and environmentally friendly products, as well as to use the expertise and capacities of our employees and managers (the latter in particular within the scope of the global talent promotion program) for business development.



## RISK REPORT

### THE GROUP'S RISK MANAGEMENT SYSTEM

The risk management system (RMS) stipulated by the Executive Board of the FUCHS PETROLUB Group and implemented in all Group units governs the way in which risks are handled within FUCHS via the risk management guideline 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. In this endeavor, we target comprehensible and transparent presentation of the risks associated with all business activities/procedures via a structured process that identifies, assesses, and then formulates countermeasures, as well as providing regular reporting and tracking. The practical implementation of this objective takes place via strategic planning, mid-term planning, budgeting, reporting, permanent controlling, risk reporting, the Internal Control System (as a constituent of the RMS), the compliance management system, and the Internal Audit department. The Group's RMS and scope of risk consolidation, which matches the scope of consolidation employed in the Group's financial statements, remained unchanged from the previous year.

The generally accepted COSO II framework (Committee of Sponsoring Organizations of the Treadway Commission) forms the systematic basis of the RMS and the internal control system (ICS), the scope and alignment of which are set out and revised by the Executive Board, taking into account company-specific requirements.

Global risk control in the Group is secured through drafting of budgets and forecast calculations, as well as the risk inventories performed by management of the operating units (six-monthly) and in the central units (annually). As a general rule, risks are captured and monitored where the responsible risk elimination experts operate. In addition to this, ad-hoc reporting is available during the year, insofar as important new risks occur at times other than the regular reporting times. Responsibility for processing risk reporting lies with the internal audit department and encompasses the following steps:

- The Group's business operations and their operational implementation at the level of the subsidiaries are closely related to the way in which the risks resulting from this are handled. Among other things, the set of guidelines issued by the Executive Board at FUCHS PETROLUB SE encompasses the behavioral requirements of all Group employees, which is formulated in the Code of Conduct. The Group's risk policy is also defined in this context.
- The risk inventories at the subsidiaries or in the specialist departments are performed by the persons involved in the reporting process within the scope of a structured procedure. Suitable risk categories are available for risk identification on the basis of defined corporate goals, as well as the environment in which the business operates.

- The risks are assessed using the criteria of gross and net potential loss, as well as the likelihood of their occurrence. The gross potential loss (i. e. before counter-measures take effect) and the net potential loss (i. e. after counter-measures have taken effect) are generally disclosed in relation to EBIT. These are supplemented by verbal descriptions of the risks themselves, as well as descriptions of the planned counter-measures. The reporting process is rounded off by stipulation of a completion date. Where appropriate, we transfer risks that lie beyond our core processes to other risk carriers or reduce them through other suitable counter-measures. To determine which risks are most likely to pose a real threat to the FUCHS PETROLUB Group, the risks reported are classified on the basis of the likelihood of their occurrence and the severity of their effects. The scaling and accompanying explanations are shown in the table below.

Likelihood of occurrence	Description	Severity of effects	Description
0 to 10%	Low	Insignificant	Negligible negative effects
11 to 25%	Medium	Low	Several negative effects
26 to 50%	Medium–high	Moderate	Considerable negative effects
51 to 100%	High	Significant	Harmful negative effects

The combination of the likelihood of occurrence and severity of the effects determines which risk categories are considered significant from the Group's perspective. This is presented in a second table. Risks are grouped as low (L = green), medium (M = yellow), and high (H = red). In line with our risk methodology, only high risks are classified as significant.

Severity of effects	Likelihood of occurrence			
	Low (0–10%)	Medium (11–25%)	Medium–high (26–50%)	High (51–100%)
Significant (>€15 million)	Medium	Medium	High	High
Moderate (>€10 million but ≤€15 million)	Low	Medium	Medium	High
Low (>€5 million but ≤€10 million)	Low	Low	Medium	Medium
Insignificant (≤€5 million)	Low	Low	Low	Low

The reporting units and their direct supervisors discuss all risk data and then report this within the scope of a structured process that is supported by an intranet-based IT solution. The information is prepared by the Internal Audit department, which reports to the Executive Board. Ultimately, the results of the entire process are presented to the Supervisory Board at least once a year.

It must be taken into account that even appropriately designed and fully functional systems cannot offer absolute security with regard to the identification and controlling of risks. 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. We are not currently aware of any further non-disclosed or avoidable risks. On the basis of the risk classification presented above, there are no significant (in the sense of high) risks for the FUCHS PETROLUB Group. The only risks classified as medium are the currency risks. All other risks are insignificant.

#### **SIGNIFICANT FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ENTIRE COMPANY AND THE GROUP ACCOUNTING PROCESS**

The Executive Board of the FUCHS PETROLUB Group uses an internal control system (ICS) in order to secure the effectiveness and efficiency of business operations, true and fair as well as reliable accounting treatment, and ensure compliance with the key legal and internal regulations for the company.

The control hierarchy implemented by the Executive Board at FUCHS PETROLUB SE encompasses three levels:

Controls, guidelines, and measures for controlling the entire company are in place, such as the Code of Conduct, Corporate Governance Report, Group guidelines, system of risk reporting, the Supervisory Board's Audit Committee, the Compliance Committee, the IT Steering Committee, and the Internal Audit department.

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.

Ultimately, there are controls within individual business processes and business transactions, such as implementation of the aforementioned stipulations using the four-eyes principle, segregation of duties, authorization levels, etc.

The Group accounting process is designed in such a way that uniform reporting of all business transactions is guaranteed throughout the Group in line with legal requirements, generally accepted accounting principles, international accounting standards (IFRS), and internal Group guidelines. The components are the accounting processes of all consolidated companies, reporting to the controlling parent company of the Group, all necessary measures for consolidation and preparing the annual accounts, as well as the publicity of the reports and financial statements.

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 analyzed and reviewed within the Group to ensure completeness, accuracy and plausibility. The technical handling of the reporting processes is performed via a uniform, Group-wide intranet-based reporting application.

The set of guidelines employed by the FUCHS PETROLUB Group contains a FUCHS Accounting Manual (FAM), a Financial Guideline, an Investment Guideline, a Receivables Guideline and a Guideline for Inter-Company Payments. Any amendments to existing accounting regulations with effects on the annual financial statements of FUCHS PETROLUB SE are analyzed timely and, where applicable, 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 the audit plan drafted annually and the corresponding audit scope, the Group audit department checks the effectiveness of the internal control system and risk management system with regard to the accounting process. The audit results are then followed up in the subsequent year. Beside this, the results of the financial statement audits are also followed up by Group accounting (balance sheet) and the internal audit department (ICS). Both of these departments report directly to the Chief Financial Officer at FUCHS PETROLUB SE. The Supervisory Board receives regular reporting on the results of risk inventories and the audit results.

The diverse activities performed within the scope of the internal control system and risk management system (particularly with regard to the Group accounting process) at FUCHS PETROLUB SE, which should not be seen detached from the system of opportunity management, are specifically designed to detect potential risks and undesirable developments as early as possible. However, even our systems cannot provide absolute security against potential issues. Within the scope of the annual audit, KPMG confirmed that the early risk detection system applied by FUCHS PETROLUB is suitable for early detection of risks that threaten the going concern of the Group. KPMG detected no significant weaknesses with regard to the internal controls over financial reporting within the scope of its audit.

### INDIVIDUAL RISKS

On the basis of the risk classification presented above, there are no significant (in the sense of high) risks for the FUCHS PETROLUB Group. The aggregation across all risks is not significant from the Group's perspective. Nevertheless, the risks which are permanently examined due to their importance for the Group and the subsidiaries are presented in the following.

#### Macroeconomic risks

Within the scope of the FUCHS PETROLUB Group's global business operations, we still consider the ongoing sovereign debt crisis in Europe, potential geopolitical tensions, as well as **VOLATILITY** in terms of raw material costs in the context of macroeconomic developments as risks that we are exposed to. With 50 operating companies in 44 countries, a large number of lubricants and related specialties for a wide range of applications, as well as sales to over 100,000 customers in more than 100 countries, we believe our business model is balanced and reduces the risk of dependency on any individual regions, sectors, companies, products, or customers. Further activities to reduce and prevent risks are in place in the form of intensive monitoring systems (e.g. volume and margin management), a system of strict cost management and strict cost control, periodic reporting on the net operating working capital (NOWC), as well as intensive communication with the foreign subsidiaries.

#### Procurement risks

On the procurement side, we see key risks in the availability of raw materials, market changes, the oligopoly situation of suppliers, and 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 counter-measures 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.

#### Product and environmental protection risks

The process for manufacturing chemical products throughout the chain of production, filling, storage and transport of raw materials, products and waste includes potential product and environmental protection 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. As is standard in the industry, FUCHS is also insured against any potential loss that may result from this. We have made adequate provisions for all known risks.



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### Legal, regulatory and location risks

The FUCHS PETROLUB Group's global business operations are also influenced by the respective regulatory environment. We address any legal or regulatory risks resulting from this, with appropriate legal and insurance law advice, as well as our own experts. Sufficient provisions have been put in place to cover local tax risks. We are not currently aware of any legal, insurance or tax risks, or of any pending or threatened legal actions with a significant impact on the Group.

Based on the judgment of December 21, 2012, FUCHS partially lost the legal case taken out against FUCHS PETROLUB SE by our co-shareholder in FUCHS OIL MIDDLE EAST in the first instance in December 2010 due to the alleged violation of the duties required under corporate law. The co-shareholder had also submitted an appeal, as one of the asserted claims (buyout) had been rejected. The appeal was rejected based on the judgment of September 18, 2013. At the end of 2013, the co-shareholder lodged an appeal with the Judicial Committee of the Privy Council in London (final instance). Provisions have been put in place for the costs of any legal proceedings and known risks as the situation stands today. Despite this, it is impossible to completely rule out risks to the company's future development and earning power. However, the contribution of the **ASSOCIATED COMPANY** to the earnings before interest and tax (EBIT) of the FUCHS PETROLUB Group is below one percent.



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In the context of the European regulation on chemicals REACH (Registration, Evaluation, and Authorization of Chemicals), all staff-related and organizational measures have been implemented to comply with the regulatory requirements and monitor further development. Preregistration has already been completed.

The legislator's aim with the GHS legislation (Globally Harmonized System), which came into force on January 20, 2009, was to introduce a uniform worldwide system for classifying and labeling chemicals. This involves reassessing the toxicity properties of substances and formulations, which in turn means that products in the FUCHS portfolio might need to be relabeled accordingly or may potentially result in a ban of certain products. Alternative formulas have already been developed for products for which modifications are anticipated. Our research and development departments are also working on further alternatives. The introduction of GHS is now supported worldwide through the establishment of corresponding organizational structures.

The objective of the compliance organization implemented by the Executive Board at FUCHS PETROLUB SE, which comprises a Compliance Management System (CMS) and a Compliance Committee with regular meetings, corresponding reporting paths and training measures, is to adequately cover both the aforementioned risks and any further risks resulting from international business operations, for example in the fields of product liability, competition and antitrust legislation, occupational health and safety, patent law, and branding law.

Regular reviews, assessments and, where necessary, revisions of the regulatory country-specific and location risks, as well as the risk management, are performed. The insurance programs in place throughout the Group cover the risks of damage to property, liability risks, transport risks, as well as risks posed by potential interruptions in business.

#### **Sector risks**

The Group's business operations are also influenced by the various sectors in which our companies support customers and sell products. The intensive competition on the local sales markets, increasing customer quality standards, technological progress, as well as default and inventory risks form the focus of our examinations here. 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, as well as application-based support. The Group's profitability will also continue to be supported in future by this strategy of innovation, quality and niche development, global presence, high degree of specialization, permanent cost management, as well as active NOWC management.

#### **Risks from research and development (R&D)**

The opportunities of a major capacity for innovation and high degree of specialization also lead to risks of high complexity and limited predictability of research and development projects in the research and development arena. 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. The development of new and innovative products requires effective intellectual property protection, which we secure internally through our organization and procedures.

#### **Currency risk**

The FUCHS PETROLUB Group's currency risk comprises transaction risks due to income and expenses in foreign currency which result, among other things, from the procurement of raw materials, as well as translation risks due to the conversion of balance sheets from outside the euro-zone into euros. Besides detailed guidelines and stipulations, which are monitored and controlled by the central Treasury department, currency risks are controlled through maturity-congruent or local currency financing, as well as (where necessary) the use of **DERIVATIVES**. Transaction and translation risks counterbalance each other at Group level and have a compensatory effect.

#### **Pension risks**

In 2013, the Group once again significantly reduced its pension risks by transferring the commitments for pensioners in the UK to external service providers. The remaining pension risks for entitlements and retired staff are easily controlled and, since they are so minor relative to the total assets held by the Group, do not represent any appreciable risk.



**IT risks**

The organizational and IT-based networking of locations and systems encompasses risks in the form of increasingly complex electronic communication technologies, which could potentially lead to loss/theft of data, business downtimes, and complete system failure. The counter measures we have implemented here are based on processes, guidelines, measures, collaboration with established IT service providers, implementation of detailed backup and recovery procedures, as well as the use of virus scanners and firewalls. Employees are kept up-to-date with current practices, developments, and technologies through regular training events. In addition to this, worldwide IT security assessment was performed in 2013, and both short-term and long-term measures for increasing IT security resulting from this were initiated respectively agreed.

**OVERALL ASSESSMENT OF THE GROUP'S OPPORTUNITIES AND RISKS**

The way in which the Group presents opportunities represents a consolidated assessment of all opportunities resulting from the aggregated examination of all budget reports for 2014. A separate examination by segment was not performed. There were no important changes over the previous year.

The way in which risks are presented throughout the Group represents a consolidated assessment of all significant risks derived from the budget reports, individual risks, or reports submitted by the subsidiaries and central functions for the 2014 budget period (twelve months). Separate examinations by segment were not performed. Instead, the Group was examined as a whole. The overall risk profile of FUCHS PETROLUB SE has not changed in comparison to the previous year.

The Group's balanced system of opportunity and risk management, stable financial situation with an equity ratio of 73.3%, debt-equity ratio of zero, increasing net profits and cash flows, as well as solid business model limit the risks associated with business operations and also provide further opportunities for development of both sales revenues and earnings.

The opportunity and risk management system set up by the Executive Board and implemented worldwide is appropriately aligned with the FUCHS PETROLUB Group's opportunity and risk profile and is also subject to constant further development, taking into account new opportunities and risks where appropriate. The results of these efforts are reflected in an adequate general risk situation. From the Executive Board's current perspective, however, there are no discernible risks that jeopardize the company's going concern. We believe the systems currently in place to be appropriate and consider simultaneous occurrence of all individual risks unlikely.



## FORECAST REPORT

### GROUP ALIGNMENT AND ECONOMIC FRAMEWORK

The business model of the FUCHS PETROLUB Group is based on broad regional use of business opportunities spread across many sectors. The business portfolio is aligned with products that place great demands on technology and are associated with high service costs. Particular emphasis is placed on the development of niche and regional market segments here. FUCHS PETROLUB is therefore broadly diversified. There are no plans to expand the Group's activities to business areas outside the field of lubricants.

The sales markets for the technological solutions and processes available in the FUCHS PETROLUB Group include both mature markets and markets in global growth regions displaying particularly fast economic development.

The Group therefore constantly searches for new business opportunities through continuous development of new products that reduce costs and solve technical issues in complex processes. At the same time, existing products are centrally and regionally modified to match the ever changing requirements. In the latter case, this involves a large number of solutions to problems, not basic technological impetuses.

### GENERAL ECONOMIC DEVELOPMENT FORECASTS

As at January 2014, the International Monetary Fund (IMF) is forecasting growth in the global economy of around 3.7% for 2014. It therefore expects an increase in global production for 2014 slightly above the anticipated value of 3.0% for 2013.

At 5.1% (previous year 4.7%), the greatest gains are expected in the developing countries and emerging markets. These are followed by the US at 2.8% (previous year 1.9%), Central and Eastern Europe also at 2.8% (previous year 2.5%), the UK at 2.4% (previous year 1.7%), and the euro-zone at 1.0% (previous year -0.4%). In China, an important market for FUCHS PETROLUB, the growth forecast is for 7.5% (previous year 7.7%).

### EFFECTS ON OUR BUSINESS MODEL

Based on these forecasts, we anticipate growth of the lubricant market in all regions for 2014. In Europe, however, lubricant consumption is only likely to increase slightly, while it may increase by around 1% in the other regions.

Average raw material costs in 2013 remained at around the level observed at the start of the year. There are currently no appreciable signs that anything about this situation is likely to change in the short term.

Irrespective of this relative calm, the fundamental risks for global economic developments persist. These include the national debt crises of various countries, the difficult situation still being encountered by many banks, currency conversion imbalances, as well as a high level of central bank liquidity and the risks of asset price bubbles and increasing inflation that result from this.

These risks can have an equally negative impact on the Group's sales markets as potential political tensions in individual global regions. In addition, exchange rate fluctuations could also have a significant effect on the Group in terms of raw material purchasing by Group companies, conversion of the balance sheet and income statement, and dividend income of the holding company.

Political or other events with effects on the oil price (and thereby our raw material costs) can also occur at any time.

#### **ANTICIPATED RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION**

The FUCHS PETROLUB Group's planning is based on continuation of the growth initiative for 2014 and thereby further increases in both volumes and sales revenues. In the light of the described economic framework conditions, the Group is planning for organic growth in the low single-digit percentage range in 2014. Additional external growth through acquisitions is possible, although the impact of changes to currency exchange rates cannot be planned.

Assuming largely stable raw material prices, the Executive Board expects a gross margin at the same level as in 2013.

The budget for personnel and other direct overhead costs also includes an increase in the low single-digit percentage range. EBIT will therefore also rise by a low single-digit percentage and the margin of EBIT before income from companies consolidated at equity will remain at the previous year's level.

Maintaining low interest costs and a similar **RATE OF TAXATION** to 2013 (31.0%), earnings after taxes are also likely to record an increase in the low single-digit percentage range. In terms of earnings per share, we expect a slightly higher increase than profit after tax in the light of the share buyback, which can likely be completed in the first half of 2014.

Should the global economy and global lubricant consumption display significantly stronger growth than forecast in 2014, FUCHS will also gain positive stimulus from this. Stronger than anticipated growth in sales revenues could, assuming compensating increases in raw material prices do not occur at the same time, lead to disproportionately high growth in EBIT in the middle to higher single-digit percentage range.



On the other hand, if growth in the global economy and the global demand for lubricants are weaker than forecast, it will take special efforts to absorb increased costs caused by inflation and the establishment of additional technical or, in particular, personnel capacities. In unfavorable circumstances, a decline in EBIT in the low single-digit percentage range is also conceivable. Extreme circumstances, such as those encountered during the global financial crisis in 2008/2009, are not taken into account here.

We are budgeting for slight organic growth in sales revenues in all regions. In Asia, we expect the high growth rates to continue, particularly in China. We primarily anticipate income gains in Asia-Pacific, Africa. In Europe, it will not be possible to repeat the previous year's positive earnings dynamics. We currently anticipate a slightly disproportionately low increase in earnings. In North and South America, we expect earnings to remain stable or increase slightly.

Based on investments in property, plant and equipment, as well as increased net operating working capital (NOWC) due to business conducted, the capital employed will increase. NOWC as a percentage of sales revenues should not exceed 20%. Assuming that the weighted capital costs remain the same, we expect a further increase in FVA, since the anticipated growth in EBIT is likely to exceed the anticipated increase in costs of capital employed. We expect to record an increase in FVA in the low single-digit percentage range.

As was the case in 2013, the anticipated gross cash flow will allow the entire increase in net operating working capital due to business conducted and also all planned investments to be financed internally. In addition to this, it will provide sufficient scope for us to maintain our consistent, shareholder-friendly dividend policy. The Executive Board and Supervisory Board will present the concrete dividend proposal to the Annual General Meeting based on the respective framework conditions.

The Group also has access to sufficient cash and cash equivalents from previous years to finance the ongoing share buyback program internally. Should any additional financial resources be required for acquisitions, which we cannot judge from today's perspective, sufficient internal funds and lines of credit are in place, depending on the size of the acquisition in question.

In terms of the net assets and financial position or balance sheet structure, we do not anticipate any significant changes, especially since no changes of strategic or business policy nature are expected.

The statements made assume that the positive overall framework conditions for FUCHS remain in place and that the various company-specific and economic risks do not materialize in any appreciable form.

#### **BUSINESS DEVELOPMENT IN THE FIRST TWO MONTHS OF 2014**

We have recorded an encouraging start to 2014. Our expectations have been met in the first two months of the new financial year, and sales revenues and income above the previous year's level have been generated.

# 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 on pages 37 to 45 and is part of the Group management report. It is also available online at [www.fuchs-oil.com/dcg.html](http://www.fuchs-oil.com/dcg.html).

## MAIN FEATURES OF THE COMPENSATION SYSTEM OF FUCHS PETROLUB SE FOR MEMBERS OF THE EXECUTIVE BODIES

The main features of the compensation system of FUCHS PETROLUB SE for members of the Executive Bodies are presented on pages 46 to 47 of the Corporate Governance Report and form part of the Group management report.

## INFORMATION REQUIRED UNDER TAKEOVER LAW PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

The relevant disclosures required pursuant to Section 315 (4) of the German Commercial Code (HGB) is presented on pages 53 to 55 and form part of the Group management report.



Further information at  
[www.fuchs-oil.com/dcg.html](http://www.fuchs-oil.com/dcg.html)



Corporate Governance  
Report



Disclosure required  
under takeover law

Our business model is successful:  
FUCHS once again reports  
record earnings and generates  
organic growth in sales  
revenues across all regions.

IN 2013, GROUP SALES REVENUES GREW BY €12.5 MILLION TO

€1,832 MILLION

EBIT GREW BY 6.6% TO

€312.3 MILLION

# 3

## FINANCIAL REPORT

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\* Part of the notes

# Consolidated financial statements of FUCHS PETROLUB SE

## INCOME STATEMENT

in € million	Notes	2013	2012
Sales revenues	(1)	1,831.6	1,819.1
Cost of sales	(2)	-1,141.7	-1,153.1
<b>Gross profit</b>		<b>689.9</b>	<b>666.0</b>
Selling and distribution expenses	(3)	-263.3	-256.2
Administrative expenses	(4)	-91.2	-90.7
Research and development expenses		-30.6	-29.2
Other operating income and expenses	(5)	-6.0	-11.1
<b>EBIT before income from companies consolidated at equity</b>		<b>298.8</b>	<b>278.8</b>
Income from companies consolidated at equity	(6)	13.5	14.2
<b>Earnings before interest and tax (EBIT)</b>		<b>312.3</b>	<b>293.0</b>
Financial result <sup>1</sup>	(7)	-1.6	-1.9
<b>Earnings before tax (EBT)<sup>1</sup></b>		<b>310.7</b>	<b>291.1</b>
Income taxes	(8)	-92.1	-84.1
<b>Earnings after tax<sup>1</sup></b>		<b>218.6</b>	<b>207.0</b>
<b>Thereof</b>			
Non-controlling interests	(9)	0.5	0.7
Profit attributable to shareholders of FUCHS PETROLUB SE		218.1	206.3
<b>Earnings per share in €<sup>2</sup></b>	(10)		
Ordinary share		3.06	2.90
Preference share		3.08	2.92

<sup>1</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>2</sup> Basic and diluted in both cases.

## STATEMENT OF COMPREHENSIVE INCOME

in € million	2013	2012
<b>Earnings after tax<sup>1</sup></b>	<b>218.6</b>	<b>207.0</b>
<b>Income and expenses recognized in equity</b>		
<b>Amounts of other comprehensive income that may be reclassified to profit or loss in future periods</b>		
Change in foreign currency translation adjustments		
Foreign subsidiaries	-24.7	-3.9
Shares in companies consolidated at equity	-5.3	0.1
<b>Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods</b>		
Remeasurements of defined benefit pension commitments <sup>1, 2</sup>	-1.1	-11.8
Deferred taxes on these amounts <sup>2</sup>	0.1	3.0
<b>Total income and expenses recognized directly in equity<sup>1</sup></b>	<b>-31.0</b>	<b>-12.6</b>
<b>Total income and expenses for the period</b>	<b>187.6</b>	<b>194.4</b>
<b>Thereof</b>		
Non-controlling interests	0.5	0.7
Shareholders of FUCHS PETROLUB SE	187.1	193.7

<sup>1</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>2</sup> For further information, please refer to the notes under item 26.



Note 26



## BALANCE SHEET

in € million	Notes	Dec. 31, 2013	Dec. 31, 2012
<b>Assets</b>			
Intangible assets	(15)	108.2	112.7
Property, plant and equipment	(14)	284.5	252.9
Shares in companies consolidated at equity	(16)	43.3	40.4
Other financial assets	(17)	6.2	3.8
Deferred tax assets	(18)	25.5	29.8
Other receivables and other assets	(19)	0.5	0.8
<b>Long-term assets</b>	(13)	<b>468.2</b>	<b>440.4</b>
Inventories	(20)	232.4	239.3
Trade receivables	(21)	260.4	250.4
Tax receivables	(22)	5.3	3.3
Other receivables and other assets	(23)	20.5	31.6
Cash and cash equivalents	(24)	175.2	143.7
<b>Short-term assets</b>		<b>693.8</b>	<b>668.3</b>
<b>Total assets</b>		<b>1,162.0</b>	<b>1,108.7</b>
<b>Equity and liabilities</b>			
Subscribed capital		71.0	71.0
Group reserves <sup>1</sup>		563.4	502.8
Group profits <sup>1</sup>		218.1	206.3
Equity of shareholders of FUCHS PETROLUB SE		852.5	780.1
Non-controlling interests		1.0	1.6
<b>Total equity</b>	(25)	<b>853.5</b>	<b>781.7</b>
Pension provisions	(26)	15.8	26.4
Other provisions	(27)	3.1	4.9
Deferred tax liabilities	(18)	18.7	19.0
Financial liabilities		0.0	0.0
Other liabilities	(28)	3.4	4.1
<b>Long-term liabilities</b>		<b>41.0</b>	<b>54.4</b>
Trade payables	(29)	132.3	119.8
Provisions	(30)	27.4	27.9
Tax liabilities	(31)	23.4	28.7
Financial liabilities	(32)	7.8	8.9
Other liabilities	(33)	76.6	87.3
<b>Short-term liabilities</b>		<b>267.5</b>	<b>272.6</b>
<b>Total equity and liabilities</b>		<b>1,162.0</b>	<b>1,108.7</b>

<sup>1</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in € million	Outstanding shares (units) <sup>4</sup>	Subscribed capital SE	Capital reserves SE
<b>As at December 31, 2011</b>	70,980,000	71.0	94.6
Dividend payments			
Earnings after tax 2012 <sup>2</sup>			
Change in income and expenses recognized directly in equity <sup>2</sup>			
<b>As at December 31, 2012<sup>2</sup></b>	70,980,000	71.0	94.6
Share buy-back	-338,470		
Purchase of non-controlling interests			
Dividend payments			
Earnings after tax 2013			
Change in income and expenses recognized directly in equity			
<b>As at December 31, 2013</b>	70,641,530	71.0	94.6

<sup>1</sup> Income and expenses recognized in equity of shareholders of FUCHS PETROLUB SE.

<sup>2</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>3</sup> 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.

<sup>4</sup> The treasury stock has not been redeemed yet.



Changes in shareholders' equity are illustrated in the notes under item 25.

	Reserve for own shares	Equity capital generated in the Group	Differences arising from currency translation <sup>1</sup>	Equity of shareholders of FUCHS PETROLUB SE	Non-controlling interests	Total equity
	0.0	478.2	12.9	<b>656.7</b>	1.5	<b>658.2</b>
		-70.3		<b>-70.3</b>	-0.6	<b>-70.9</b>
		206.3		<b>206.3</b>	0.7	<b>207.0</b>
		-8.8 <sup>2</sup>	-3.8	<b>-12.6</b>		<b>-12.6</b>
	0.0	605.4	9.1	<b>780.1</b>	1.6	<b>781.7</b>
	-22.0			<b>-22.0</b>		<b>-22.0</b>
		-1.1		<b>-1.1</b>	-0.7	<b>-1.8</b>
		-91.6		<b>-91.6</b>	-0.4	<b>-92.0</b>
		218.1		<b>218.1</b>	0.5	<b>218.6</b>
		-1.0 <sup>3</sup>	-30.0	<b>-31.0</b>		<b>-31.0</b>
	-22.0	729.8	-20.9	<b>852.5</b>	1.0	<b>853.5</b>

STATEMENT OF CHANGES IN LONG-TERM ASSETS<sup>1</sup>

in € million	GROSS AMOUNTS ACQUISITION AND MANUFACTURING COSTS						
	Dec. 31, 2011	Currency differences	Changes in the scope of consolidation	Additions	Disposals	Reclassifi- cations	Dec. 31, 2012
<b>2012</b>							
<b>Intangible assets</b>							
Licenses, industrial property rights and similar values	77.5	-0.6	0.6	1.6	0.2	0.3	79.2
Goodwill <sup>2</sup>	94.9	-1.1	0.5	0.1	0.0	0.0	94.4
Other intangible assets	0.3	0.0	0.0	0.3	0.0	-0.3	0.3
	<b>172.7</b>	<b>-1.7</b>	<b>1.1</b>	<b>2.0</b>	<b>0.2</b>	<b>0.0</b>	<b>173.9</b>
<b>Property, plant and equipment</b>							
Land, land rights and buildings	178.9	-1.0	0.0	6.3	0.3	9.5	193.4
Technical equipment and machinery	193.7	-0.2	0.0	7.8	3.1	7.0	205.2
Other equipment, factory and office equipment	100.9	0.2	0.0	9.5	4.2	1.9	108.3
Work in progress	21.8	-0.4	0.0	36.3	0.0	-18.4	39.3
	<b>495.3</b>	<b>-1.4</b>	<b>0.0</b>	<b>59.9</b>	<b>7.6</b>	<b>0.0</b>	<b>546.2</b>
<b>Financial assets</b>							
Shares in affiliated companies	0.9	0.0	-0.7	0.0	0.2	0.0	0.0
Shares in companies consolidated at equity	24.6	0.2	0.0	24.0	8.4	0.0	40.4
Investment in companies	2.3	0.0	0.0	0.0	0.0	0.0	2.3
Other loans	2.8	0.0	0.0	0.3	0.7	0.0	2.4
Long-term securities	0.3	0.0	0.0	0.0	0.0	0.0	0.3
	<b>30.9</b>	<b>0.2</b>	<b>-0.7</b>	<b>24.3</b>	<b>9.3</b>	<b>0.0</b>	<b>45.4</b>
<b>Long-term assets (excluding deferred taxes and other receivables and other assets)</b>	<b>698.9</b>	<b>-2.9</b>	<b>0.4</b>	<b>86.2</b>	<b>17.1</b>	<b>0.0</b>	<b>765.5</b>
<b>2013</b>							
<b>Intangible assets</b>							
Licenses, industrial property rights and similar values	79.2	-1.6	0.0	3.8	0.2	0.4	81.6
Goodwill <sup>2</sup>	94.4	-2.9	0.0	0.0	0.0	0.0	91.5
Other intangible assets	0.3	0.0	0.0	0.2	0.0	-0.4	0.1
	<b>173.9</b>	<b>-4.5</b>	<b>0.0</b>	<b>4.0</b>	<b>0.2</b>	<b>0.0</b>	<b>173.2</b>
<b>Property, plant and equipment</b>							
Land, land rights and buildings	193.4	-7.3	0.0	12.6	0.7	8.9	206.9
Technical equipment and machinery	205.2	-6.9	0.0	13.4	2.2	11.4	220.9
Other equipment, factory and office equipment	108.3	-2.9	0.0	7.4	2.3	2.6	113.1
Work in progress	39.3	-3.1	0.0	32.8	0.2	-22.9	45.9
	<b>546.2</b>	<b>-20.2</b>	<b>0.0</b>	<b>66.2</b>	<b>5.4</b>	<b>0.0</b>	<b>586.8</b>
<b>Financial assets</b>							
Shares in affiliated companies	0.0	0.0	0.0	1.3	0.0	0.0	1.3
Shares in companies consolidated at equity <sup>3</sup>	40.4	-4.4	0.0	12.7	5.4	0.0	43.3
Investment in companies	2.3	0.0	0.0	0.0	0.1	0.0	2.2
Other loans	2.4	0.0	0.0	1.3	0.2	0.0	3.5
Long-term securities	0.3	0.0	0.0	0.0	0.0	0.0	0.3
	<b>45.4</b>	<b>-4.4</b>	<b>0.0</b>	<b>15.3</b>	<b>5.7</b>	<b>0.0</b>	<b>50.6</b>
<b>Long-term assets (excluding deferred taxes and other receivables and other assets)</b>	<b>765.5</b>	<b>-29.1</b>	<b>0.0</b>	<b>85.5</b>	<b>11.3</b>	<b>0.0</b>	<b>810.6</b>

<sup>1</sup> Part of the notes.<sup>2</sup> The amortization on goodwill accumulated by December 31, 2004 was balanced with historical acquisition costs.<sup>3</sup> The inflows to the financial assets also contain partial proceeds of the shares in companies consolidated at equity.

## DEPRECIATION AND AMORTIZATION

## NET AMOUNTS

	Dec. 31, 2011	Currency differences	Changes in the scope of consolidation	Scheduled deprec. & amortiz.	Impairment losses	Disposals	Reclassifi- cations	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011
	46.3	-0.4	0.1	5.8	0.0	0.2	0.0	51.6	27.6	31.2
	9.5	0.1	0.0	0.0	0.0	0.0	0.0	9.6	84.8	85.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
	<b>55.8</b>	<b>-0.3</b>	<b>0.1</b>	<b>5.8</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>61.2</b>	<b>112.7</b>	<b>116.9</b>
	71.0	-0.8	0.0	5.0	0.0	0.2	0.0	75.0	118.4	107.9
	136.9	-0.2	0.0	8.5	0.0	2.8	0.0	142.4	62.8	56.8
	71.9	0.3	0.0	7.6	0.0	4.0	0.0	75.8	32.5	29.0
	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	39.2	21.7
	<b>279.9</b>	<b>-0.7</b>	<b>0.0</b>	<b>21.1</b>	<b>0.0</b>	<b>7.0</b>	<b>0.0</b>	<b>293.3</b>	<b>252.9</b>	<b>215.4</b>
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.4	24.6
	1.2	0.0	0.0	0.0	0.0	0.0	0.0	1.2	1.1	1.1
	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	2.5	2.9
	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2
	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>	<b>44.2</b>	<b>29.7</b>
	<b>336.9</b>	<b>-1.0</b>	<b>0.1</b>	<b>26.9</b>	<b>0.0</b>	<b>7.2</b>	<b>0.0</b>	<b>355.7</b>	<b>409.8</b>	<b>362.0</b>
	Dec. 31, 2012	Currency differences	Changes in the scope of consolidation	Scheduled deprec. & amortiz.	Impairment losses	Disposals	Reclassifi- cations	Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2012
	51.6	-1.0	0.0	5.1	0.0	0.2	0.0	55.5	26.1	27.6
	9.6	-0.6	0.0	0.0	0.5	0.0	0.0	9.5	82.0	84.8
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3
	<b>61.2</b>	<b>-1.6</b>	<b>0.0</b>	<b>5.1</b>	<b>0.5</b>	<b>0.2</b>	<b>0.0</b>	<b>65.0</b>	<b>108.2</b>	<b>112.7</b>
	75.0	-3.1	0.0	5.8	0.0	0.1	0.0	77.6	129.3	118.4
	142.4	-4.7	0.0	9.2	0.0	1.5	0.0	145.4	75.5	62.8
	75.8	-2.1	0.0	7.6	0.0	2.0	0.0	79.3	33.8	32.5
	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	45.9	39.2
	<b>293.3</b>	<b>-10.0</b>	<b>0.0</b>	<b>22.6</b>	<b>0.0</b>	<b>3.6</b>	<b>0.0</b>	<b>302.3</b>	<b>284.5</b>	<b>252.9</b>
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.3	40.4
	1.2	0.0	0.0	0.0	0.0	0.1	0.0	1.1	1.1	1.1
	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	3.6	2.5
	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2
	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>1.1</b>	<b>49.5</b>	<b>44.2</b>
	<b>355.7</b>	<b>-11.6</b>	<b>0.0</b>	<b>27.7</b>	<b>0.5</b>	<b>3.9</b>	<b>0.0</b>	<b>368.4</b>	<b>442.2</b>	<b>409.8</b>

## STATEMENT OF CASH FLOWS

in € million	2013	2012
<b>Earnings after tax<sup>1</sup></b>	<b>218.6</b>	<b>207.0</b>
Depreciation and amortization of long-term assets	28.2	26.9
Change in long-term provisions and in other non-current assets (covering funds) <sup>1</sup>	-12.7	-0.4
Change in deferred taxes	4.0	-0.3
Non-cash income from shares in companies consolidated at equity	-13.5	-14.2
<b>Gross cash flow</b>	<b>224.6</b>	<b>219.0</b>
Gross cash flow	224.6	219.0
Change in inventories	-5.2	-11.5
Change in trade receivables	-21.0	-3.4
Change in other assets	7.8	3.2
Change in trade payables	17.6	-10.0
Change in other liabilities (excluding financial liabilities)	-8.7	5.8
Net gain/loss on disposal of long-term assets	0.0	0.0
<b>Cash flow from operating activities</b>	<b>215.1</b>	<b>203.1</b>
Investments in long-term assets	-72.8	-71.4
Acquisition of subsidiaries and other business units	0.0	-0.9
Proceeds from the disposal of long-term assets	2.2	1.5
Change in cash and cash equivalents due to change in the scope of consolidation	0.0	0.2
Dividends received	5.4	7.9
<b>Cash flow from investing activities</b>	<b>-65.2</b>	<b>-62.7</b>
<b>Free cash flow<sup>2</sup></b>	<b>149.9</b>	<b>140.4</b>
Dividends paid for previous year	-92.0	-70.9
Purchase of own shares	-22.0	0.0
Changes in bank and leasing commitments	0.5	-4.9
Purchase of non-controlling interests	-0.7	0.0
<b>Cash flow from financing activities</b>	<b>-114.2</b>	<b>-75.8</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>143.7</b>	<b>79.0</b>
Cash flow from operating activities	215.1	203.1
Cash flow from investing activities	-65.2	-62.7
Cash flow from financing activities	-114.2	-75.8
Effect of currency translations	-4.2	0.1
<b>Cash and cash equivalents at the end of the period<sup>3</sup></b>	<b>175.2</b>	<b>143.7</b>



Note 36

<sup>1</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>2</sup> Total of cash flow from operating activities and cash flow from investing activities.

<sup>3</sup> Cash and cash equivalents comprise total liquid funds of the Group.

The paid taxes on income total €96.0 million (87.1). They are included in the Cash flow from operating activities.

€2.3 million (2.4) was paid for interest. Interest payments received totaled €1.0 million (1.0).

## SEGMENTS <sup>1</sup>

in € million	EUROPE			ASIA-PACIFIC, AFRICA			NORTH AND SOUTH AMERICA		
	2013	2012	Change	2013	2012	Change	2013	2012	Change
Sales revenues by customer location	958.5	958.3	0.2	560.3	535.4	24.9	312.8	325.4	-12.6
Sales revenues by company location	1,104.2	1,080.7	23.5	497.9	486.8	11.1	307.3	320.3	-13.0
thereof with other segments	75.6	66.2	9.4	0.0	0.1	-0.1	2.2	2.4	-0.2
Scheduled depreciation <sup>2</sup>	17.1	17.4	-0.3	5.9	4.5	1.4	4.2	4.5	-0.3
Impairment losses <sup>2</sup>	0.5	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
EBIT before income from companies consolidated at equity	151.3	132.6	18.7	91.1	83.1	8.0	62.2	67.5	-5.3
Income from companies consolidated at equity	1.2	1.0	0.2	12.3	13.2	-0.9	0.0	0.0	0.0
Segment earnings (EBIT)	152.5	133.6	18.9	103.4	96.3	7.1	62.2	67.5	-5.3
Financial result <sup>3</sup>									
Income taxes									
<b>Earnings after tax<sup>3</sup></b>									
Segment assets <sup>4</sup>	537.6	530.0	7.6	278.7	262.9	15.8	223.6	211.6	12.0
thereof shares from companies consolidated at equity	2.6	2.4	0.2	40.7	38.0	2.7	0.0	0.0	0.0
Segment liabilities <sup>5</sup>	148.5	139.2	9.3	72.4	62.8	9.6	30.7	32.4	-1.7
Financial liabilities									
Pension provisions									
<b>Cash and cash equivalents</b>									
Group liabilities <sup>6</sup>									
Additions to property, plant and equipment and intangible assets <sup>7</sup>	30.7	34.6	-3.9	21.2	14.2	7.0	17.1	13.7	3.4
Additions to financial assets	1.3	0.3	1.0	0.0	10.1	-10.1	0.0	0.0	0.0
Employees (average number)	2,356	2,311	45	866	838	28	540	524	16
<b>Key performance indicators</b>									
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %	13.7	12.3		18.3	17.1		20.2	21.1	

<sup>1</sup> Part of the notes.

<sup>2</sup> Relating to property, plant and equipment, intangible assets, goodwill and financial assets.

<sup>3</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>4</sup> Including shares in companies consolidated at equity, excluding income tax receivables and financial receivables.

<sup>5</sup> Non-interest bearing borrowed capital: trade payables, other provisions and other liabilities, excluding income tax liabilities; Group value including tax liabilities.

<sup>6</sup> Segment liabilities, financial liabilities, pension provisions, minus cash and cash equivalents.

<sup>7</sup> In the previous year including acquisitions and changes in the scope of consolidation.



TOTAL FOR OPERATING COMPANIES			HOLDING INCLUDING CONSOLIDATION			FUCHS PETROLUB GROUP		
2013	2012	Change	2013	2012	Change	2013	2012	Change
1,831.6	1,819.1	12.5	0.0	0.0	0.0	1,831.6	1,819.1	12.5
1,909.4	1,887.8	21.6	-77.8	-68.7	-9.1	1,831.6	1,819.1	12.5
77.8	68.7	9.1	-77.8	-68.7	-9.1	0.0	0.0	0.0
27.2	26.4	0.8	0.5	0.5	0.0	27.7	26.9	0.8
0.5	0.0	0.5	0.0	0.0	0.0	0.5	0.0	0.5
304.6	283.2	21.4	-5.8	-4.4	-1.4	298.8	278.8	20.0
13.5	14.2	-0.7	0.0	0.0	0.0	13.5	14.2	-0.7
318.1	297.4	20.7	-5.8	-4.4	-1.4	312.3	293.0	19.3
						-1.6	-1.9	0.3
						-92.1	-84.1	-8.0
						<b>218.6</b>	<b>207.0</b>	<b>11.6</b>
1,039.9	1,004.5	35.4	122.1	104.2	17.9	1,162.0	1,108.7	53.3
43.3	40.4	2.9	0.0	0.0	0.0	43.3	40.4	2.9
251.6	234.4	17.2	33.3	57.3	-24.0	284.9	291.7	-6.8
						7.8	8.9	-1.1
						15.8	26.4	-10.6
						<b>175.2</b>	<b>143.7</b>	<b>31.5</b>
						133.3	183.3	-50.0
69.0	62.5	6.5	1.2	0.5	0.7	70.2	63.0	7.2
1.3	10.4	-9.1	1.3	0.0	1.3	2.6	10.4	-7.8
3,762	3,673	89	84	81	3	3,846	3,754	92
						16.3	15.3	

# Notes to the consolidated financial statements

## BASIS OF PREPARATION

### GENERAL INFORMATION

The consolidated financial statements of FUCHS PETROLUB SE, Mannheim, as at December 31, 2013, have been prepared in accordance with the standards and interpretations as specified in the guidelines of the International Accounting Standards Board (IASB), London, to be applied within the EU, and in accordance with the supplementary regulations to be applied as specified by Section 315 a (1) of the German Commercial Code (HGB), as applicable on the balance sheet date. 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 2013 financial year have been applied.

The Annual General Meeting on May 8, 2013 approved the change of legal form of the formerly FUCHS PETROLUB AG stock corporation into an SE. The company was finally entered in the Commercial and Companies Register as FUCHS PETROLUB SE on July 18, 2013.

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. 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.

On March 14, 2014, the Executive Board at FUCHS PETROLUB SE prepared the consolidated financial statements and discussed these with the Audit Committee of the Supervisory Board on March 19, 2014. The consolidated financial statements will be presented to the Supervisory Board in its meeting on March 19, 2014 for approval and release for publication.

### APPLICATION OF NEW ACCOUNTING STANDARDS

The accounting standards relevant to the FUCHS PETROLUB Group, which are to be adopted for the first time for the financial year 2013, are outlined in the following. The effects on the net assets, financial position and results of operations of the FUCHS PETROLUB Group are insignificant.

#### **Amendment to IAS 1 "Presentation of items of Other Comprehensive Income" in the statement of comprehensive income**

This amendment affects the presentation of other comprehensive income in the statement of comprehensive income. The items of other comprehensive income which will subsequently be reclassified ("recycled") to the income statement must be presented separately from the items of other comprehensive income that are not to be reclassified. Insofar as the items are disclosed gross, i. e. without netting with effects from deferred taxes, the deferred taxes must no longer be disclosed as a total amount, but be allocated to the two groups of items. The presentation of the statement of comprehensive income was therefore revised for the FUCHS PETROLUB Group.



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**IAS 19 (revised 2011) "Employee Benefits"**

The most significant amendment resulting from the revision of IAS 19 (revised 2011) concerns the way in which pension obligations from defined benefit plans are recognized in the balance sheet.

With the revision of IAS 19, actuarial gains and losses must always be recognized directly and in full under other comprehensive income. The amendment will not have any effects on the FUCHS PETROLUB Group, as the Group has already been recognizing actuarial gains and losses directly in equity (OCI) since the financial year 2008. In addition to this, a past service cost is now also to be recognized directly in the income statement in the year in which it occurs. This did not have any effect on the net assets, financial position or results of operations of the FUCHS PETROLUB Group. The revised recognition and disclosure requirements for administration costs associated with plan assets also have no material effect on the presentation of the financial and earnings position of FUCHS.

In addition to this, the return on plan assets is no longer recorded based on management expectations regarding the performance of the investment portfolio, but rather set at the start of the period at the typical level of the discount interest rate of the pension obligations. In comparison with the previous regulation, the financial result was therefore reduced by €0.8 million in the financial year 2013. Since the amendment is also to be applied retroactively, this requires the previous year's figures to be revised. For the financial year 2012 this represents a €0.3 million reduction of the financial result in the income statement, as well as a corresponding increase in actuarial gains and losses of €0.3 million recorded under other comprehensive income in the statement of comprehensive income. The retroactive application of the IAS 19 standard (revised) does not have any influence on the level of pension provisions or the total amount of shareholders' equity in the consolidated balance sheet. Within the scope of adopting the amendments of IAS 19 (revised), actuarial gains and losses were recorded under equity capital generated in the Group in the statement of changes in shareholders' equity. The effects on income taxes and dividends per share were insignificant, both in the financial year 2013 and in the same period of the previous year.

Beside changes to accounting, the consolidated financial statements have been extended by the addition of further notes, e.g. in the form of sensitivity analyses.

The revised definition of termination benefits and the resulting change in the accounting treatment of partial retirement agreements did not have any effects on the level of provisions for partial retirement.

**Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"**

With this amendment to IFRS 7, the disclosure requirements for offset and offsetable financial instruments have been extended. The first-time adoption of this standard did not have any effects on the FUCHS PETROLUB Group's net assets, financial position, or results of operations.

**IFRS 13 “Fair Value Measurement”**

This standard creates uniformity in fair value measurement for IFRS financial statements. The first-time adoption of this standard did not have any effects on the FUCHS PETROLUB Group’s net assets, financial position, or results of operations.

**Improvements to IFRS 2009–2011**

Five standards were revised within the scope of the annual improvement project. The goal of the revised formulations in individual IFRS is to clarify the existing regulations. Beside this, there are also changes with effects on recognition, measurement, and notes to the consolidated financial statements. The first-time adoption of this standard did not have any effects on the FUCHS PETROLUB Group’s net assets, financial position, or results of operations.

The FUCHS PETROLUB Group has decided to make use of a voluntary early adoption of the following amendments to IAS 36 (2013) “Recoverable Amount Disclosures” as of the financial year 2013.

**Amendment to IAS 36 – “Recoverable Amount Disclosures”**

In the course of a subsequent amendment from IFRS 13 “Fair Value Measurement”, a new obligatory disclosure was introduced for the goodwill impairment test as per IAS 36. Based on this, the recoverable amount of the cash-generating units had to be disclosed, regardless of whether an impairment was actually performed. Since this note was introduced unintentionally, it was removed again with this amendment from May 2013. However, the amendment also requires additional disclosures if an impairment has actually been performed and the recoverable amount was determined on the basis of fair value. The amendments are to be applied for the first time for financial years starting on or after January 1, 2014.

The following standards and amendments to standards/interpretations, which are relevant to the FUCHS PETROLUB Group and have been endorsed by the EU, will only become binding in the financial year 2014 or later and were not adopted early.

**Amendments to IAS 27 “Separate Financial Statements”**

Within the scope of the adoption of IFRS 10 “Consolidated Financial Statements”, the regulations for the principle control and the requirements when preparing consolidated financial statements have been removed from IAS 27 and ultimately incorporated in IFRS 10 (see details on IFRS 10). As a result of this, IAS 27 will in future only contain those regulations concerning the accounting treatment of subsidiaries, joint ventures and associated companies in IFRS individual financial statements. The amendment is to be applied for the first time for financial years starting on or after January 1, 2014.

### IFRS 11 “Joint Arrangements”

IFRS 11 changes the accounting process for joint arrangements. Based on the new concept, a decision must be reached as to whether the activities relate to a joint operation or a joint venture. In future, joint ventures must be consolidated at equity. The option to incorporate these joint ventures in the consolidated financial statements on a pro rata basis has therefore been eliminated. The new standard is to be applied for the first time for financial years starting on or after January 1, 2014.

### Amendments to IAS 28 “Shares in Associates and Joint Ventures”

Within the scope of the adoption of IFRS 11 “Joint Arrangements”, revisions were also made to IAS 28. As is already the case, IAS 28 governs the application of the **EQUITY METHOD**. However, the scope of application has been significantly extended with adoption of IFRS 11, since in future not only investments in associated companies, but also in joint ventures (IFRS 11) must be measured using the equity method. The use of pro rata consolidation for joint ventures has therefore been eliminated.

Another amendment concerns the accounting method as per IFRS 5 when only a portion of a stake in an associated company or a joint venture is to be sold. IFRS 5 is applied to the stake to be sold, while the remaining stake must continue to be recognized using the equity method until the stake to be sold has actually been sold. The amendment is to be applied for the first time for financial years starting on or after January 1, 2014.

Since the FUCHS PETROLUB Group already includes all joint ventures in its consolidated financial statements on the balance sheet date using the equity method and the other amendments currently do not hold any relevance for the FUCHS PETROLUB Group, we do not expect adoption of IFRS 11 in connection with the amended IAS 28 to have any significant effect on the Group’s net assets, financial position or results of operations.

### IFRS 10 “Consolidated Financial Statements”

This standard comprehensively redefines the term “control”. When one company controls another company, the parent company must consolidate its **SUBSIDIARY**. This new standard could potentially have effects on the scope of consolidation, such as for special purpose entities. The new standard is to be applied for the first time for financial years starting on or after January 1, 2014.

From today’s perspective, we do not expect this standard to have any effects on the scope of consolidation.



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**IFRS 12 “Disclosure of Interests in Other Entities”**

This standard governs the disclosure requirements regarding stakes held in other companies. The necessary disclosures are significantly more extensive than the former requirements in accordance with IAS 27, IAS 28, and IAS 31. The new standard is to be applied for the first time for financial years starting on or after January 1, 2014.

**Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance**

The amendments include clarification and additional simplifications for transitioning to IFRS 10, IFRS 11, and IFRS 12. Adjusted comparison information now only needs to be provided for the previous period. The amendments to IFRS 10, IFRS 11 and IFRS 12 are to be applied for the first time for financial years starting on or after January 1, 2014.

**Amendments to IAS 32 – “Offsetting Financial Instruments”**

This amendment to IAS 32 clarifies the prerequisites for offsetting financial instruments. The amendment to IAS 32 is to be applied for the first time for financial years starting on or after January 1, 2014. From today's perspective, the first-time adoption of this standard does not have any effects on the FUCHS PETROLUB Group's net assets, financial position, or results of operations.

**Amendment to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting”**

As a result of this amendment, derivatives continue to be designated as hedging instruments in existing hedging relationships under certain conditions, despite novation of a hedging instrument to a central counterparty as a result of legally stipulated requirements. The amendments are to be applied for the first time for financial years starting on or after January 1, 2014. From today's perspective, the FUCHS PETROLUB Group does not anticipate any effects, as it 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 the income statement. The hedge accounting rules were not applied.

The following standards and amendments to standards respectively interpretations are relevant to the FUCHS PETROLUB Group, but have not yet been adopted by the EU. Subject to their endorsement by the EU, they will only become binding from the financial year 2014 or later and were also not adopted earlier.

The FUCHS PETROLUB Group is currently still investigating the effects of these amendments, but from today's perspective does not expect any significant effects on the Group's net assets, financial position or results of operations.

**IFRS 9 “Financial Instruments”**

The IFRS 9 method for recognition and measurement of financial instruments will replace IAS 39. The date for first-time adoption of IFRS 9 is currently still open, although it is not likely to be before January 1, 2017.

**IFRS 9 – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39**

Initial adoption of the new provisions on hedge accounting follows the provisions for first-time adoption of IFRS 9.

**Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures**

Similarly to the provisions of IFRS 9, the date for first-time adoption of these amendments is still open, but is not likely to be before January 1, 2017.

**Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions**

The amendments clarify the regulations addressing the allocation of employee premiums or third party premiums to periods of service if the premiums are linked to years of service. Subject to endorsement by the EU, which is still pending, the amendments are to be applied for the first time for financial years starting on or after July 1, 2014.

**IFRIC 21 – “Levies”**

IFRIC 21 “Levies” is an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. It primarily provides clarification to the question of when a current obligation arises with levies raised by public authorities and a provision or liability is to be recognized. Subject to endorsement by the EU, which is still pending, the amendments are to be applied for the first time for financial years starting on or after January 1, 2014.

**Improvements to IFRS 2010–2012**

Seven standards were revised within the scope of the annual improvement project. Subject to endorsement by the EU, which is still pending, the amendments are to be applied for the first time for financial years starting on or after July 1, 2014.

**Improvements to IFRS 2011–2013**

Four standards were revised within the scope of the annual improvement project. Subject to endorsement by the EU, which is still pending, the amendments are to be applied for the first time for financial years starting on or after July 1, 2014.

## SCOPE OF CONSOLIDATION

Number	Europe	Asia-Pacific, Africa	North and South America	Total
Fully consolidated companies (incl. parent company)				
January 1, 2013	29	16	8	53
Additions				
Disposals		-1		-1
<b>December 31, 2013</b>	<b>29</b>	<b>15</b>	<b>8</b>	<b>52</b>
Companies consolidated at equity				
January 1, 2013/ <b>December 31, 2013</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>5</b>
Unconsolidated companies				
January 1, 2013	1	2	0	3
Additions	1	1		2
Disposals				
<b>December 31, 2013</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>5</b>

Fundamentally, 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 with the same balance sheet date as the consolidated financial statements (December 31). Disclosure of shareholdings is given in note 43.

The financial results of certain subsidiaries that have no material effect upon the consolidated financial results of the Group have not been included in FUCHS PETROLUB's consolidated financial statements. Five foreign companies were not included. The non-consolidated companies generated total sales revenues of €3.3 million and earnings after tax of €0.3 million.



The exemption from the disclosure requirement pursuant to 264 (3) of the German Commercial Code (HGB) was used for the following subsidiaries included in the consolidated financial statements:

- BREMER & LEGUIL GMBH, Duisburg,
- FUCHS EUROPE SCHMIERSTOFFE GMBH, Mannheim,
- FUCHS FINANZSERVICE GMBH, Mannheim,
- FUCHS LUBRITECH GMBH, Kaiserslautern,
- PARAFUID MINERALOELGESELLSCHAFT MBH, Hamburg, and
- WISURA GMBH, Bremen.

The large and medium-sized corporations were also exempted from preparing a management report.

The scope of consolidation includes a total of 52 (53) companies. The changes to the scope of consolidation in 2013 are stated in the section below.

#### CHANGES IN THE SCOPE OF CONSOLIDATION

<b>Disposals</b> at fully consolidated companies	in %
FUCHS LUBRICANTS (PHILIPPINES) INC.	100

<b>Additions</b> at non-consolidated companies	in %
FUCHS LUBRICANTS NORWAY AS	100
FUCHS LUBRICANTS VIETNAM COMPANY LIMITED	100

FUCHS LUBRICANTS (PHILIPPINES) INC. was liquidated and deconsolidated in 2013. This had no appreciable effect on the net assets, financial position and results of operations of the FUCHS PETROLUB Group.

In 2013, the shares in the former sales partner in Norway were acquired. This company supplies industrial customers, operating primarily in the offshore industry, and currently generates sales revenues in the low single-digit millions. A new subsidiary was founded in Vietnam. Both subsidiaries will be included considering materiality reasons in the consolidated financial statements from the financial year 2014 onward.

### CONSOLIDATION PRINCIPLES

The acquisition accounting for acquisitions prior to March 31, 2004 has been accounted in accordance with the regulations of IAS 22. For acquisitions after March 31, 2004, the principles of IFRS 3 apply. All business combinations are accounted for using the purchase method of accounting at the acquisition date. Initially, all assets, liabilities and intangible assets that are to be capitalized are valued 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 the income statement. 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 "Accounting and valuation methods".



Accounting and  
valuation methods

Changes to the percentage of shares held which do not lead to a loss of control are treated as a transaction between shareholders and recognized directly under shareholders' equity. Transactions of this nature do not result in the recognition of goodwill or the realization of disposal proceeds.

The consolidation principles apply accordingly to the joint ventures and associated companies consolidated at equity. In the event of losing joint control or a key influence, the remaining shares are re-measured at fair value through profit and loss.

The shares in companies consolidated at equity are measured at acquisition costs plus or less the accumulated changes in net assets, whereby goodwill is recognized in the carrying amount of the investment.

Inter-company sales, expenses and income as well as receivables and liabilities between consolidated companies are netted off. Inter-company profits resulting from sales and services rendered between consolidated companies are eliminated. This does not apply to profits or losses which in total are of minor importance for forming a true and fair view of the Group's assets, liabilities, financial position and earnings.

Minority interests on the consolidated equity and consolidated net profit are shown separately from the parent company's ownership interest.

### FOREIGN 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. For the companies included in the consolidated financial statements, a foreign currency transaction will be valued in its functional currency and converted by the spot rate valid on the day of the business transaction.

In the financial statements of FUCHS PETROLUB SE and its subsidiaries, assets and liabilities in foreign currencies are translated at the exchange rates on the balance sheet date. Any exchange rate gains or losses not yet realized on the balance sheet date are recognized in the income statement.

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 on the balance sheet date. The resulting translation adjustments are recognized directly in equity. The year-on-year change is presented in the statement of comprehensive income. The respective cumulative translation differences are released to income at the time of disposal of subsidiaries.

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Note 5

The currency differences resulting from the consolidation of inter-company debts are also recognized in the income statement under "Other operating income and expenses".

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Statement of changes  
in long-term assets

In the statement of changes in long-term assets, the starting and closing balances have been translated at the exchange rate on the balance sheet date, and the other items have been translated at average exchange rates. Any differences arising from exchange rate movements are shown in a separate column as exchange rate differences within acquisition and manufacturing costs and with depreciation and amortization adjustments.

Currency translation for the pro rata equity capital of associated companies is performed at the respective exchange rates on the balance sheet date. Translation of the annual results concerned is carried out at the average exchange rate on the balance sheet date. Dividend payments by associated companies are translated at the exchange rate on the date of the distribution.

The exchange rates with a significant influence on the consolidated financial statement have moved against the euro as follows:

<b>Closing rate (€1)</b>	<b>Dec. 31, 2013</b>	Dec. 31, 2012	Change in foreign currency in%
US dollar	1.377	1.318	-4.3
British pound	0.833	0.815	-2.2
Chinese renminbi yuan	8.331	8.212	-1.4
Australian dollar	1.540	1.271	-17.5
South African rand	14.504	11.190	-22.8
Polish zloty	4.151	4.093	-1.4
Brazilian real	3.252	2.695	-17.1
Argentinean peso	8.974	6.474	-27.9
Russian ruble	45.26	40.20	-11.2
South Korean won	1,452.97	1,411.37	-2.9

<b>Average annual exchange rate (€1)</b>	<b>2013</b>	2012	Change in foreign currency in%
US dollar	1.328	1.286	-3.2
British pound	0.849	0.812	-4.4
Chinese renminbi yuan	8.233	8.129	-1.3
Australian dollar	1.377	1.242	-9.8
South African rand	12.833	10.569	-17.6
Polish zloty	4.199	4.189	-0.2
Brazilian real	2.873	2.513	-12.5
Argentinean peso	7.289	5.858	-19.6
Russian ruble	42.35	40.04	-5.5
South Korean won	1,459.27	1,453.29	-0.4

## ACCOUNTING AND VALUATION METHODS

In conformity with IAS 27, the financial statements of FUCHS PETROLUB SE and its subsidiaries in Germany and abroad are prepared in accordance with uniform accounting and valuation principles. Valuations that deviate from the Group's principles in the annual financial statements of associated companies are retained where they are of negligible significance.

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 disclosure methods, as well as the notes and disclosures regarding the consolidated financial statements for the financial year 2013 are all made on the same consistent basis.

Exceptions arise from changes made due to the adoption of new/revised accounting principles (see "General disclosures") and in the sense of conveying relevant information. Insofar as adjustments are made to the previous year's figures, these are documented and explained in the corresponding notes to the consolidated financial statements.



General disclosures

In addition to the Group's earnings before interest and tax (EBIT), the earnings before interest, taxes, and companies consolidated at equity is disclosed 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. The EBIT figure also contains earnings of companies consolidated at equity. The sales revenues generated by companies consolidated at equity are not included in Group sales revenues.

### **SIGNIFICANT DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Group's 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 follows:

**Goodwill**

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 loss. An asset's recoverable amount is the higher amount of the fair value of the asset minus selling costs and the value in use. For the purpose of testing impairment, the cash generating units to which goodwill is assigned are measured.

A cash-generating unit is generally formed by a subsidiary. If the recoverable amount is lower than the carrying amount of the reporting unit, goodwill will be amortized in the income statement to the recoverable amount. The recoverable amount is defined by the value in use, which itself is determined using a discounted cash flow method. The subsidiaries' mid-term planning, which generally consists of the budget plan 2014 and the plan years 2015 and 2016, 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 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). The borrowing costs correspond to the risk-free interest rate plus a premium for the credit risk. To present the sustainable growth of the companies in the years following mid-term planning, a deduction from the growth rate was taken into account in the discount rate for the terminal value. Please refer to note 15 for further information.



**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 assessment is made on the basis of various assumptions, which can 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 checked on each balance sheet date. 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 26 for further information.

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Note 26

**Feasibility 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 18 for further information.

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Note 18

**Other important future-related assumptions and estimates are also necessary, particularly for valuation, recognition, and measurement of:**

- impairments of intangible assets and property, plant and equipment,
- impairments and write-ups to trade receivables,
- other provisions, such as environmental obligations and costs for legal proceedings.

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 will be recognized in the income statement at a time when better estimates are available. The estimates for the previous year do not need to be adjusted.

**SALES REVENUES**

Sales revenues comprise revenues from the sale of goods or services within the scope of ordinary business operations. They are disclosed without sales tax or any other taxes accrued in the context of sales revenues, as well as 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 realized as soon as the respective service has been provided. Sales revenues also include fees for chemical process management services.

FUCHS PETROLUB does not engage in any business that requires realization of sales revenues in the form of long-term production orders in line with the percentage-of-completion method.

**COST OF SALES**

Cost of sales includes the manufacturing costs associated with products, merchandise and services sold. In accordance with IAS 2, it contains not only directly attributable costs such as cost of material, personnel and energy, but also direct manufacturing costs and indirect production-related overheads. These overheads also 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 application support and advice for our customers, as well as advertising expenses, commission expenses, and shipping costs.

**ADMINISTRATIVE EXPENSES**

Administrative expenses comprise the personnel and related costs of the management and administration departments, if these have not been allocated to other functional areas as internal services.

**RESEARCH AND DEVELOPMENT EXPENSES**

Research expenses include costs for identifying alternative materials/products for technical processes.

Development work includes application of research results for the purpose of developing new products and/or processes prior to their commercial use. Development expenses are only recognized 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 to bring the intangible asset to completion in order to use or sell it.

The criteria for recognition of intangible assets created in-house are only met in full in our product segments shortly before the products reach market maturity. Development costs that occur after the recognition criteria have been met are insignificant. The development costs are therefore recognized as expenses at the time when they occur.

#### **FINANCIAL RESULT**

Financing costs will be 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 will be differentiated in the income statement and accounted for using the effective interest method. Dividends will be recorded at the time of the payment claim.

Interest expenses from pension obligations will be netted against the interest income from plan assets on the basis of actuarial calculations and disclosed in the financial result.

#### **INTANGIBLE ASSETS**

Acquired intangible assets are measured and recognized at cost in accordance with IAS 38. It must be determined whether the useful life of an asset is 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 scheduled amortization, but undergo an impairment test at least once a year and also whenever there are indications of an impairment.

Definite-lived intangible assets will be subjected to scheduled amortization over their useful lifetimes using the straight-line method.



For software, a useful life of three to five years is scheduled within the Group. Other intangible assets, such as patents and licenses, are amortized as per their respective, contractually agreed useful life. The amortization will be recorded in the income statement under the department costs for manufacturing, administration, distribution, as well as 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. No re-measurement of property, plant and equipment is performed on the basis of the provisions of IAS 16. Straight-line depreciation is applied over the useful life of the property, plant and equipment.

Within the Group, property, plant and equipment are amortized on the basis of the following estimated useful lives:

<b>Useful life</b>	
Buildings	20 to 40 years
Plant and machinery	5 to 20 years
Vehicles	5 years
Factory and office equipment	3 to 10 years

#### **IMPAIRMENTS FOR DEFINITE-LIVED INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

As per IAS 36, 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.

**LEASING**

Long-term assets also include leased assets. IAS 17 includes rules for determining, on the basis of the risks and rewards of the parties to a lease, whether the lessor or the lessee is the economic owner of the assets. In the case of finance leases, the assets are capitalized by the lessee and in the case of operating leases the assets are recorded by the lessor. The payment obligations resulting from the future leasing installments are recognized at their present values as financial liabilities. The lease payments should be apportioned between the finance charge and the reduction of the outstanding liability.

If economic ownership remains with the lessor (operating lease), the lease payments are recognized as expenses over the lease term.

**SHARES IN COMPANIES CONSOLIDATED AT EQUITY AND OTHER FINANCIAL ASSETS**

Interests in joint ventures and associates are carried in the consolidated financial statements at equity. Proportionate earnings are recognized in the income statement and added to the carrying amount. Dividend payments of joint ventures and associated companies reduce their shareholders' equity and are deducted from the carrying amount without affecting net income. Proportionate earnings are recognized as an addition in the statement of changes in fixed assets and dividend payments are shown as disposals.

In accordance with IAS 39 shares and investments in non-consolidated subsidiaries and affiliated companies are shown at cost minus depreciation, as these assets are unlisted shares in corporations, for which the fair value to be attributed cannot be reliably determined.

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.

For securities held as long-term assets, according to IAS 39 a distinction must be made between securities which are held for trading purposes, available-for-sale securities and held-to-maturity securities. The FUCHS PETROLUB Group does not hold any securities for trading purposes. Available-for-sale securities are recorded at their fair values if these exist; if not, they are recorded at amortized costs. If they are recorded at fair value, unrealized profits and losses are recognized in shareholders' equity net of deferred taxes. Held-to-maturity financial assets are measured at the lower figure of either cost or fair value. This fair value is equal to the market value on the balance sheet date without deduction of transaction costs.

## 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 recorded if the company is a contractual party in relation to a financial instrument. Financial assets are derecognized if the contractual rights to payments arising from the financial assets expire or if the financial assets are transferred with all material risks and opportunities. Financial liabilities are derecognized if the contractual obligations have been settled, extinguished or have expired. Regular-way purchases and sales of financial instruments are generally recognized in the balance sheet on their settlement date. Derivatives are recorded on their day of trading.

Pursuant to IAS 39, financial instruments are divided into the following measurement categories:

### Financial assets

- Financial assets to be measured at fair value through profit and loss: At the FUCHS PETROLUB Group this category only includes derivatives (forward currency transactions) with a positive fair value. They are disclosed under Other assets.
- Held-to-maturity investments consist of non-derivative financial assets with fixed or determinable payments. These financial instruments have a fixed term, for which the company has the ability and intent to hold until maturity, and they do not fall under other measurement categories. In the FUCHS PETROLUB Group there are no financial assets that fall under this category.
- 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 long-term 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 long-term loans and receivables are recorded at present value. Subsequent measurements are generally done at amortized cost under consideration of 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 PETROLUB 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 PETROLUB Group this category only includes derivatives (forward currency transactions) with a negative fair value. They are disclosed under other short-term liabilities.
- Other financial liabilities: among other things, these include trade payables, bank liabilities and customer advance payments. They are carried at amortized costs, which generally correspond to the repayable amount.



Note 33



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Pursuant to IAS 39, **DERIVATIVE FINANCIAL INSTRUMENTS**, such as the forward exchange transactions used by the Group are recognized in the balance sheet at their fair market values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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.

As derivatives are used solely within the framework of risk limitation or hedging strategies, the regulations for hedge accounting can be applied provided that the measures are documented properly. In this respect, IFRS differentiates in particular between "fair value hedges" and "cash flow hedges".

A fair value hedge is based on the change in value of an asset or a liability. Since the corresponding change in value of the hedged item affects net income, then the (opposing) change in value of the derivative is also recorded in the income statement.

A cash-flow hedge arises when the derivative secures compensation for the risks in the future cash flow of an existing hedged item or most probable future transaction (e.g. the possible exchange rate disadvantage of a scheduled revenue item in foreign currency). The effectiveness of a cash flow hedge is determined by how a specific hedged item is secured with a corresponding derivative. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (Group reserves) and recycled to the income statement when the hedged cash transaction affects profit or loss. Conversely, the profit or loss arising from the non-effective part of a hedge is always recognized in the income statement.

The FUCHS PETROLUB 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 the income statement. The hedge accounting rules were not applied, thus no hedging instruments are recognized directly in equity.

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 booked separately in an allowance account.



Note 35

Detailed information on financial instruments can be found in the notes to the balance sheet under note 35.

**DEFERRED TAXES**

In accordance with IAS 12, deferred taxes should be recognized for all taxable temporary differences between tax base and IFRS-compliant accounting methods at the consolidated companies, and for consolidation measures with an effect on 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. 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 directly under shareholders' equity, any tax assets and liabilities to be deferred in this context are also recognized directly as equity.

**INVENTORIES**

Inventories comprise raw materials and supplies, work in progress and services, as well as finished products and merchandise. Inventories are measured at their cost of acquisition or manufacture. 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. The majority of inventory is valued using the weighted average cost method. The manufacturing costs comprise production-related full costs, determined on the basis of standard capacity utilization. In accordance with IAS 2, they include materials and supplies that are consumed in production. In addition, all overheads related to the production process, taxes on consumption, and depreciation of production equipment are included. General administrative expenses and the expenses of company welfare institutions, voluntary welfare benefits and company pension plans that are not attributable to manufacturing as well as financing costs (IAS 23) are not included in the cost of manufacture.

Write-downs are effected to cover risks resulting from inventory coverage or reduced salability. Uniform write-down stipulations are in place throughout the Group for any cases in which certain shelf lives are exceeded.

**RECEIVABLES AND OTHER SHORT-TERM ASSETS**

Receivables and other assets are accounted for at amortized cost. Credit risks are accounted for by 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 translated at exchange rates on the balance sheet date. In line with the business model, there are no receivables from long-term production orders in the FUCHS PETROLUB Group.

**CASH AND CASH EQUIVALENTS**

The liquid funds include cash at banks with a maturity of less than three months, checks not yet tendered, drafts and cash in hand. They are measured at cost of acquisition. Assets denominated in foreign currencies are converted at the exchange rates on the balance sheet date.

The development of liquid funds, which, pursuant to IAS 7, corresponds to cash and cash equivalents, is shown in the consolidated statement of cash flows.

**SHAREHOLDERS' EQUITY**

Costs for procuring the shareholders' equity are deducted directly from the shareholders' equity.

Preference share capital is shown in the balance sheet as shareholders' equity because the requirements of IAS 32 for an equity instrument are fulfilled. Dividends on both preference shares and ordinary shares are shown as shareholders' equity expenses.

**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 on the balance sheet date, 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.

With the revision of IAS 19, actuarial gains and losses must always be recognized directly and in full under other comprehensive income. The amendment will not have any effects on the FUCHS PETROLUB Group, as the Group has already been recognizing actuarial gains and losses directly in equity (OCI) since the financial year 2008.



Pension obligations are disclosed net of plan assets at their fair values. Any asset surplus is recognized under long-term assets.

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

#### **OTHER PROVISIONS**

Pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", other provisions are formed insofar as there is an obligation to third parties resulting from a previous event which can be expected to lead to outflows of funds, the level of which can be reliably determined. They represent uncertain obligations, which are recognized at best estimate levels to meet the respective obligation.

The values shown for provisions indicate those amounts which are required for covering future payment obligations, identifiable risks and uncertain liabilities of the Group. Possible price and cost increases are included in the measurement. Insofar as the level 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. Long-term 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 stated in the balance sheet at their acquisition costs brought-forward. The valuation of liabilities in connection with derivatives (fair value hedge accounting) may deviate from this rule. These liabilities as well as the derivatives themselves are recorded at their fair values. Liabilities from finance leases are stated at the present value of the future lease payments and shown under Other financial liabilities.

## NOTES TO THE INCOME STATEMENT

### 1

#### SALES REVENUES

Sales revenues by product groups are broken down as follows:

in € million	2013	Share in %	2012	Share in %	Change absolute	Change in %
Automotive lubricants*	740.8	40.4	719.6	39.5	21.2	3.0
Industrial lubricants and specialties*	1,025.2	56.0	1,038.1	57.1	-12.9	-1.2
Other Products	65.6	3.6	61.4	3.4	4.2	6.8
	<b>1,831.6</b>	<b>100.0</b>	<b>1,819.1</b>	<b>100.0</b>	<b>12.5</b>	<b>0.7</b>

\* and related products.

The main areas of the automotive lubricants product segment are engine oil, gear oil, and shock-absorber oil. At €740.8 million (719.6), sales revenues in this segment increased by 3.0%. The segment share in Group sales revenues increased to 40.4% (39.5%).

The industrial lubricants and specialties product segment mainly comprises metal-working fluids, corrosion preventatives, hydraulic and gear oils, greases, and other specialties. Sales revenues in this operating segment decreased 1.2% to €1,025.2 million (1,038.1). At 56.0% (57.1%), the segment represents the largest part of Group sales revenues.

Other products mainly include toll blending, chemical process management and trade activities. This segment increased by €4.2 million or 6.8% to €65.6 million (61.4).

The development of sales revenues by geographic region can be seen under segment reporting on pages 124 to 125.



segment reporting

## 2

**COST OF SALES**

in € million	2013	2012
Cost of purchased raw materials, supplies, goods for resale and purchased services	1,038.6	1,054.4
<b>Cost of materials</b>	<b>1,038.6</b>	<b>1,054.4</b>
Personnel costs	54.5	52.9
Depreciation of property, plant and equipment and intangible assets	13.3	12.5
Third party services	12.4	10.8
Energy costs	9.7	9.8
Maintenance costs	7.5	6.8
Other costs	5.7	5.9
	<b>1,141.7</b>	<b>1,153.1</b>

## 3

**SELLING AND DISTRIBUTION EXPENSES**

in € million	2013	2012
Personnel costs	104.2	98.4
Freight	63.4	61.5
Commission payments	35.0	36.1
Travel expenses	11.8	12.4
Marketing costs	9.1	9.1
Rental and lease expenses	10.3	9.6
Third party services	10.0	9.1
Depreciation of property, plant and equipment and intangible assets	6.1	6.5
Maintenance costs	2.8	2.9
Taxes	1.5	1.4
Other costs	9.1	9.2
	<b>263.3</b>	<b>256.2</b>

Marketing costs also include expenses for car and motorbike sponsoring, participation in trade fairs, advertising materials, promotional gifts, and advertisements. Third party services comprise services commissioned for laboratory work, distribution services, trademark management and the operation of the computer center. Other costs include costs of communication and pro rata insurance premiums.

## 4

**ADMINISTRATIVE EXPENSES**

in € million	2013	2012
Personnel costs	52.5	51.7
Audit and consultancy costs	5.6	5.3
Third party services	5.6	5.4
Depreciation of property, plant and equipment and intangible assets	6.0	5.7
Taxes	3.1	4.2
Rental and lease expenses	2.8	2.8
Travel expenses	2.8	2.9
Maintenance costs	2.5	2.4
Other costs	10.3	10.3
	<b>91.2</b>	<b>90.7</b>

Third party services also comprise the costs of trademark and brand management, as well as pro rata costs for the operation of the computer center. Other costs include 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.

in € million	2013	2012
Income from the disposal of fixed assets	0.6	0.3
Income from the reversal of provisions	1.0	2.1
Income from the reversal of write-downs	3.0	1.5
Income from cost allocations, commission payments, licenses, and cost charging	1.4	1.3
Income from rents and leases	0.1	0.1
Currency exchange gains	6.4	5.3
Miscellaneous operating income	5.9	10.3
<b>Other operating income</b>	<b>18.4</b>	<b>20.9</b>
Losses from the disposal of fixed assets	0.6	0.3
Write-downs of receivables	6.5	4.0
Currency exchange losses	5.5	5.9
Restructuring costs and severance payments	3.1	2.0
Impairments of goodwill	0.5	0.0
Expenses due to outsourcing pension obligations	1.6	4.2
Miscellaneous operating expenses	6.6	15.6
<b>Other operating expenses</b>	<b>24.4</b>	<b>32.0</b>
<b>Other operating income and expenses</b>	<b>-6.0</b>	<b>-11.1</b>

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 €1.1 million (1.1).

Among other things, miscellaneous operating expenses include the purchase costs for other sales, as well as provisions for risks from non-operating items, e.g. environmental commitments. In the previous year, additions were made to provisions in connection with the legal case concerning the shareholder dispute at one of the two companies in which the Group holds an interest in the Middle East.

## 6

**INCOME FROM COMPANIES CONSOLIDATED AT EQUITY**

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

in € million	2013	2012
Income from companies consolidated at equity	13.5	14.2

## 7

**FINANCIAL RESULT**

in € million	2013	2012
Other interest and similar income		
Others (mainly banks)	1.0	1.0
<b>Interest income</b>	<b>1.0</b>	<b>1.0</b>
Interest and similar expenses		
Others (mainly banks)	-2.3	-2.5
Pension obligations		
Interest expense	-4.0	-4.7
Interest income from plan assets <sup>1</sup>	3.7	4.2
<b>Interest expenses</b>	<b>-2.6</b>	<b>-3.0</b>
<b>Net interest income</b>	<b>-1.6</b>	<b>-2.0</b>
Income from companies consolidated at equity	0.0	0.1
<b>Financial result<sup>1</sup></b>	<b>-1.6</b>	<b>-1.9</b>

<sup>1</sup> Previous year's figures adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

The net interest expenses from defined pension obligations are the balance resulting from interest expenses of €4.0 million (4.7) from the interest expense associated with the pension obligations less interest income of €3.7 million (4.2) from the return on plan assets. Due to the retroactive application of the amendments to IAS 19 (revised), the interest income from the return on plan assets declined by €0.3 million in the previous year compared to the originally disclosed figure.

## 8

**INCOME TAXES**

Taxes on income comprise income taxes paid or payable in the various countries, plus deferred taxes. Calculation of deferred taxes are 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 balance sheet date.

in € million	2013	2012
Current taxes	88.4	83.8
thereof Germany	32.6	28.4
thereof international	55.8	55.4
Deferred taxes	3.7	0.3
thereof Germany	-1.5	1.3
thereof international	5.2	-1.0
<b>Total</b>	<b>92.1</b>	<b>84.1</b>

Current taxes comprise €0.3 million in tax expenses (0.6 tax income) for previous financial years.

The German tax rate is based on the corporation tax rate of 15.83% and includes the solidarity surcharge of 5.5%. Including trade tax, the total tax burden in Germany is about 30.9% (30.9%).

Profits generated by our companies outside Germany are taxed at the respective local rates. The tax rates applied in the various countries for calculation of deferred taxes range from 12.2% (12.3%) to 38.9% (38.9%). The local taxation rates largely decreased over the previous year in Great Britain, Thailand, and the Ukraine. The local taxation rate increased in Greece.

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.

in € million	2013	in %	2012	in %
Earnings before tax (EBT)	310.7		291.1	
Expected tax expense	96.0	30.9	90.0	30.9
Taxation rate differences	-3.0	-1.0	-4.4	-1.5
Non-deductible expenses	2.7	0.9	2.2	0.8
Tax-free income	-1.3	-0.4	-2.2	-0.7
Income from companies consolidated at equity	-4.2	-1.4	-4.4	-1.5
Effect of tax loss carryforwards, for which no deferred tax assets had been recognized	0.0	0.0	0.2	0.0
Taxes for prior periods	-0.5	-0.2	-0.6	-0.2
Withholding taxes	3.4	1.1	2.9	1.0
Other	-1.0	-0.3	0.4	0.1
<b>Actual tax expense</b>	<b>92.1</b>	<b>29.6</b>	<b>84.1</b>	<b>28.9</b>

The actual tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 29.6% (28.9). The Group's rate of taxation adjusted by the income from companies consolidated at equity is 31.0% (30.4).

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#### MINORITY INTEREST

Profits attributable to minority interests of €0.7 million (0.7) relate to shareholders in Austria, Greece, and France, and in the previous year also to shareholders in Ukraine.

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#### EARNINGS PER SHARE

in € million	2013	2012
<b>Profit attributable to equity holders of FUCHS PETROLUB SE</b>	<b>218.1</b>	<b>206.3</b>
<b>Earnings per ordinary share in €</b>		
Earnings per share	3.06	2.90
Weighted average number of ordinary shares	35,480,979	35,490,000
<b>Earnings per preference share in €</b>		
Earnings per share	3.08	2.92
Weighted average number of preference shares	35,480,979	35,490,000

Pursuant to IAS 33, the additional dividend of €0.02 per share to be distributed to the preference shareholders is allocated in advance. The remainder of the Group's profit after taxes and minority interests is distributed on a weighted basis among the two share classes.

In accordance with IAS 33.20, own shares bought back within the scope of the share buyback program are not included in the calculation of earnings per share.

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

**11****OTHER TAXES**

in € million	2013	2012
	5.5	6.5

The disclosed figure concerns non-income taxes, which are included in the operating function costs. €4.3 million (5.1) of this amount is attributable to foreign Group companies in Argentina, China, France, Great Britain and the United States.

**12****PERSONNEL EXPENSES / EMPLOYEES**

Personnel expenses (in € million)	2013	2012
Wages and salaries	218.2	207.7
Social security contributions and expenses for pensions and similar obligations	37.5	41.4
thereof for pensions	4.2	4.8
	<b>255.7</b>	<b>249.1</b>

Pension expenses do not include the interest expense arising from pension provisions, which is included in the net financial result, nor does it include any income from plan assets for financing pension obligations.

Number of employees (annual average)	2013	2012
Salaried staff	2,854	2,758
Wage earners	992	996
	<b>3,846</b>	<b>3,754</b>



## NOTES TO THE BALANCE SHEET

13

### LONG-TERM ASSETS

The composition of the items recognized in the balance sheet as intangible assets, property, plant and equipment, shares in companies consolidated at equity, and other financial assets, as well as their development in 2013, are disclosed in the statement of changes in long-term assets on pages 120 and 121.

→ 120

Statement of changes  
in long-term assets

14

### PROPERTY, PLANT AND EQUIPMENT

The additions recorded in 2013 essentially affected the construction of new facilities and production equipment at the locations in Australia, China, Russia and the United States, as well as investments in Germany, Poland and Brazil. Property, plant and equipment includes lease assets (finance leases) totaling €0.4 million (0.4).

There were no indications of impairment in the reporting year in the impairment tests carried out for the subsidiaries.

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Accounting and  
valuation methods

The impairment test method is described in the section "Accounting and valuation methods".

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### INTANGIBLE ASSETS

#### Development of goodwill in 2013

in € million from	Separate financial statements	Business combinations	Total
<b>Historical acquisition costs</b>			
Balance at January 1, 2013	40.1	54.3	94.4
Currency translation effects	-2.1	-0.8	-2.9
Additions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
<b>As at December 31, 2013</b>	<b>38.0</b>	<b>53.5</b>	<b>91.5</b>
<b>Accumulated amortization</b>			
Balance at January 1, 2013	-8.6	-1.0	-9.6
Currency translation effects	0.6	0.0	0.6
Impairment losses	0.0	-0.5	-0.5
Disposals	0.0	0.0	0.0
<b>As at December 31, 2013</b>	<b>-8.0</b>	<b>-1.5</b>	<b>-9.5</b>
<b>Carrying amount as at December 31, 2013</b>	<b>30.0</b>	<b>52.0</b>	<b>82.0</b>

**Development of goodwill in 2012**

in € million from	Separate financial statements	Business combinations	Total
<b>Historical acquisition costs</b>			
Balance at January 1, 2012	40.6	54.3	94.9
Currency translation effects	-0.6	-0.5	-1.1
Additions	0.1	0.5	0.6
Disposals	0.0	0.0	0.0
<b>As at December 31, 2012</b>	<b>40.1</b>	<b>54.3</b>	<b>94.4</b>
<b>Accumulated amortization</b>			
Balance at January 1, 2012	-8.5	-1.0	-9.5
Currency translation effects	-0.1	0.0	-0.1
Impairment losses	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
<b>As at December 31, 2012</b>	<b>-8.6</b>	<b>-1.0</b>	<b>-9.6</b>
<b>Carrying amount as at December 31, 2012</b>	<b>31.5</b>	<b>53.3</b>	<b>84.8</b>

**Goodwill of the cash-generating units**

Of the €82.0 million (84.8) in goodwill recognized as at December 31, 2013, €52.0 million (53.3) is due to business combinations and €30.0 million (31.5) is due to separate financial statements of subsidiaries. Total goodwill of €67.0 million (68.3), made up of €41.7 million (41.8) from business combinations and €25.3 million (26.5) from goodwill recorded on separate company financial statements, is attributable to the sub-group FUCHS CORPORATION, USA.

The remaining goodwill is due to five (six) further cash-generating units.

in € million from	2013			2012		
	Separate financial statements	Business combina- tions	Total	Separate financial statements	Business combina- tions	Total
FUCHS CORPORATION, USA	25.3	41.7	67.0	26.5	41.8	68.3
Five further (in the previous year: six) cash-generating units	4.7	10.3	15.0	5.0	11.5	16.5
<b>Goodwill</b>	<b>30.0</b>	<b>52.0</b>	<b>82.0</b>	<b>31.5</b>	<b>53.3</b>	<b>84.8</b>

Goodwill is not subject to any scheduled 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 generally consists of the budget plan 2014 and the plan years 2015 and 2016, serves as the basis for planning for the cash flows. 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 between 0.5% (0.5%) and 1.0% (1.0%) are taken into account as inflation-based growth. The impairment tests performed by the FUCHS CORPORATION, USA 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 between 8.0% (8.0%) and 14.0% (13.0%) after taxes were applied, taking into account country-specific risks. A weighted cost of capital of 8.0% (8.0%) after taxes was taken into account in the impairment tests performed at FUCHS CORPORATION, United States.

Impairment losses for goodwill of €0.5 million were charged in the financial year 2013 for one European subsidiary and are recorded under other operating expenses. There were no impairment losses in the previous year.

To take into account potential deviations in the 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.

#### **Industrial property rights and similar values**

Intangible assets also include industrial property rights and similar rights and assets. These consist mainly of capitalized licenses for computer software, acquired formulas and product technologies, restraints on competition, and acquired customer lists. These rights and assets amount to €26.1 million (27.6) in total. Intangible assets comprises advance payments of €0.1 million (0.3).

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**SHARES IN COMPANIES CONSOLIDATED AT EQUITY**

This item is made up of five companies consolidated at equity. For the measurement using the equity method the proportionate equity was determined on the basis of financial statements prepared in accordance with the respective national legislation adapted in line with the requirements of IFRS.

For the three associated companies, the assets (100% values) were €133.5 million (136.4), while liabilities were €30.5 million (45.4). Sales revenues of €234.1 million (264.8) were generated and the net profit for 2013 was €32.7 million (38.6).

The two joint ventures, which are also consolidated at equity, recorded the following figures (100% values):

in € million	2013	2012
Total of all short-term assets	51.7	56.7
Total of all long-term assets	31.3	33.9
<b>Assets as at December 31</b>	<b>83.0</b>	<b>90.6</b>
Total of all short-term liabilities	54.4	61.2
Total of all long-term liabilities	0.1	0.2
<b>Liabilities as at December 31</b>	<b>54.5</b>	<b>61.4</b>
Total of all income	115.1	115.8
Total of all expenses	108.3	113.7

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**OTHER FINANCIAL ASSETS**

This item includes shares in affiliated companies not consolidated, investments in and loans to **PARTICIPATION INTEREST**, long-term securities, and other loans. In accordance with their financing nature, the long-term portion of the receivables relating to delivery agreements in France of €3.4 million (2.4) is disclosed under Other loans.

The statement of changes in long-term assets on pages 120 and 121 shows the changes in and the amount of the individual items.



Glossary page 209



Statement of changes in long-term assets

18

**DEFERRED TAX ASSETS AND LIABILITIES**

The deferred taxes recognized in the balance sheet result from the following temporary differences and items:

in € million	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	2013	2012	2013	2012
Property, plant and equipment	1.2	0.9	10.9	10.0
Other long-term assets	3.5	1.4	8.0	7.8
Inventories	6.9	6.2	0.2	0.1
Other short-term assets	2.0	5.9	0.6	0.8
Long-term provisions	11.4	15.9	0.6	1.7
Other long-term liabilities	0.4	0.5	4.1	4.1
Short-term provisions and liabilities	6.4	5.4	0.6	0.9
Expected use of loss carryforwards	0.0	0.0	0.0	0.0
<b>Sum of deferred taxes asset/liability</b>	<b>31.8</b>	<b>36.2</b>	<b>25.0</b>	<b>25.4</b>
Tax offset	-6.3	-6.4	-6.3	-6.4
<b>Total assets / liabilities</b>	<b>25.5</b>	<b>29.8</b>	<b>18.7</b>	<b>19.0</b>

Deferred tax assets of €25.5 million (29.8) are essentially attributable to measurement differences between the carrying amounts of inventories (elimination of intercompany profits), other short-term assets, pension obligations, and short-term provisions and liabilities in the IFRS balance sheet and their tax base. The deferred tax liabilities essentially result from temporary differences between the carrying amounts of long-term assets in the IFRS balance sheet and their tax base (different depreciation methods and useful lives).

Tax loss carryforwards in the Group amount to €2.6 million (3.2). The deferred tax assets of €0.8 million (1.0) recognized in this connection are impaired as it is not probable that loss carryforwards will be utilized in the foreseeable future.

A deferred tax liability of €4.1 million (4.1) is recorded for future tax burdens from planned dividend payments from foreign subsidiaries. In addition, there are further retained earnings at the subsidiaries of €303.4 million (248.7) which are to remain invested permanently and consequently will not result in a deferred tax debt.

The change in the net amount of deferred taxes is –€4.0 million (3.3) in the year under review. Taking into account the deferred taxes for the financial year 2013 recognized directly in equity and resulting essentially from the allocation of pension obligations of €0.1 million (3.0), the deferred tax expense reported in the income statement amounts to €3.7 million (0.3) after allowing for currency effects.

**19****LONG-TERM OTHER RECEIVABLES AND OTHER ASSETS**

in € million	Dec. 31, 2013	Dec. 31, 2012
Asset surplus arising from the netting of pension provisions with associated plan assets	0.0	0.1
Other assets	0.5	0.7
	<b>0.5</b>	<b>0.8</b>

**20****INVENTORIES**

Inventories comprise the following:

in € million	Dec. 31, 2013	Dec. 31, 2012
Raw materials and supplies	94.5	97.2
Work in progress	11.7	13.6
Finished goods and merchandise	126.2	128.5
	<b>232.4</b>	<b>239.3</b>

Write-downs of inventories totaling €0.7 million (0.3) were recognized in the income statement in the year under review due to reduced salability. On the balance sheet date, the residual carrying amount of inventories that were written down amounted to €2.5 million (2.3). Inventories of €1,038.6 million (1,054.4) were recorded as costs of materials in the reporting period.

**21****TRADE RECEIVABLES**

in € million	Dec. 31, 2013	Dec. 31, 2012
Receivables due from affiliated companies	0.2	0.2
Receivables due from joint ventures and associated companies	2.3	1.3
Receivables due from other companies	257.9	248.9
	<b>260.4</b>	<b>250.4</b>

Changes in write-downs of trade receivables during the year are detailed below:

in € million	2013	2012
<b>Impairments as at January 1</b>	<b>13.9</b>	<b>13.2</b>
Currency translation effects	-0.4	0.1
Additions (impairment expenses)	4.1	2.1
Utilization	-1.1	-0.6
Reversals	-2.0	-0.9
Change in the scope of consolidation	0.0	0.0
<b>Impairments as at December 31</b>	<b>14.5</b>	<b>13.9</b>

In the year under review, write-downs of receivables recognized in the income statement totaled €4.1 million (2.1). The income from the reversal of write-downs is €2.0 million (0.9). Trade receivables include write-downs totaling €14.5 million (13.9) reflecting identifiable risks.

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

Receivables by maturity (in € million)	Dec. 31, 2013	Dec. 31, 2012
Receivables neither overdue nor impaired	<b>224.3</b>	<b>200.3</b>
Overdue receivables that are not impaired:		
Less than 30 days	28.6	37.5
30 to 60 days	5.5	7.1
61 to 90 days	2.0	5.5
91 to 180 days	1.0	1.9
181 to 360 days	0.9	0.6
more than 360 days	0.8	0.8
Total of overdue receivables	<b>38.8</b>	<b>53.4</b>
Minus collectively assessed allowances	-4.2	-4.6
Impaired receivables, gross	<b>11.8</b>	<b>10.6</b>
Minus individually assessed allowances	-10.3	-9.3
<b>Trade receivables</b>	<b>260.4</b>	<b>250.4</b>



**22****SHORT-TERM TAX RECEIVABLES (INCOME TAX)**

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

**23****SHORT-TERM OTHER RECEIVABLES AND OTHER ASSETS**

in € million	Dec. 31, 2013	Dec. 31, 2012
Receivables due from joint ventures and associated companies	0.2	0.3
Tax receivables (transaction tax)	3.8	2.1
Sundry other assets	16.5	29.2
	<b>20.5</b>	<b>31.6</b>

At €3.0 million (1.8), tax receivables predominantly concern VAT receivables.



Note 17

The Group's sundry other assets include customer loans of €2.6 million (3.4) in connection with delivery agreements in France. The long-term part of this loan is disclosed under Other long-term financial assets. This item for 2012 also includes €14.0 million that was held on a fiduciary basis for an associated company in the Middle East. These were repaid in 2013. The same amount was also recognized on the assets side under Liabilities due to associated companies in the previous year. In addition to this, other assets include forward currency transactions with positive fair values of €1.3 million (0.0). Other assets also include advance rental payments, prepaid expenses, refund claims, and other customer loans, and receivables from other sales. Total impairments of €4.5 million (4.1) are taken into account here.

**24****CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of €175.2 million (143.7) comprise bank deposits with a maturity of less than three months, checks and bills of exchange not yet presented, and cash in hand.

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**SHAREHOLDERS' EQUITY**

A solid equity capital backing is indispensable for the continued existence of the company. Gearing (the ratio of financial liabilities minus cash and cash equivalents to shareholders' equity) and the equity ratio are important indicators of the capital structure.

**Subscribed capital**

The subscribed and fully paid capital of FUCHS PETROLUB SE remained unchanged during the reporting year.

**in € million**

As at December 31, 2013 (in € million)	71.0
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Consisting of

35,490,000 ordinary shares	at €1 each = €35,490,000
35,490,000 preference shares	at €1 each = €35,490,000

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. Under the Articles of Association, each preference share receives a premium of €0.02 per share compared to an ordinary share.

Authorized capital amounts to €35.5 million. Authorized capital expires on May 5, 2014 and entitles the Executive Board to increase the share capital, with the consent of the Supervisory Board, one or more times by issuing up to 35,490,000 new no-par value shares (ordinary and/or preference shares without voting rights) against cash or contributions in kind. In the financial year 2013, no use was made of the authorization granted by the Annual General Meeting on May 6, 2009.

**Share buyback program**

On November 26, 2013, the Executive Board at FUCHS PETROLUB SE passed a resolution, exercising the authorization issued by the Annual General Meeting on May 5, 2010, to acquire a maximum of one million ordinary and preference shares in the company for a total purchase price of up to €100 million, i. e. a maximum of 10% of the share capital in place when the resolution was passed. All transactions in connection with the share buyback program are published on a weekly basis on the FUCHS PETROLUB SE website under "Investor Relations/Share buyback program".

Furthermore, the Executive Board intends to propose a capital increase from corporate funds to the Annual General Meeting on May 7, 2014. This capital increase would involve issuing bonus shares at a ratio of 1:1. The share buyback and the proposal to issue bonus shares are an expression of the Executive Board's confidence in the future economic development of the FUCHS Group. This should also result in an increased trading liquidity of the FUCHS shares.

FUCHS PETROLUB commenced the buyback of its own shares on November 27, 2013 and will complete the buyback process by March 31, 2015.

The shares will be acquired for the purpose of redemption based on the authorization resolution of the Annual General Meeting from May 5, 2010.

In the period from November 27, 2013 to December 31, 2013, the company bought back a total of 338,470 own shares. 169,235 ordinary shares at a total value of €10.2 million (average price per share: €60.14) and 169,235 preference shares with a total value of €11.8 million (average price per share: €69.65) were purchased. The buybacks represent 0.48% of the company's share capital as at December 31, 2013. The treasury stock has not yet been redeemed.

The €22.0 million spent, including transaction costs, has been deducted from shareholders' equity. Pursuant to IAS 33.20, the shares bought back are no longer taken into account when calculating the earnings per share.

The number of outstanding shares is therefore:

Number of shares	Dec. 31, 2013	Dec. 31, 2012
Ordinary shares	35,320,765	35,490,000
Preference shares	35,320,765	35,490,000
<b>Total</b>	<b>70,641,530</b>	<b>70,980,000</b>

### 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 translation of the financial statements of foreign subsidiaries as well as joint ventures and associated companies consolidated at equity are taken directly to equity and carried under currency reserves.

Group reserves do not include net profit after tax, which is shown in the Group profits item.

### Group profits

Group profits correspond to the Group's net profits after taxes and minority interests.

### Proposal on the appropriation of profits at FUCHS PETROLUB SE

The Executive Board will recommend to the Supervisory Board that it presents the following dividend proposal at the 2014 Annual General Meeting: €1.38 per ordinary share entitled to dividend and €1.40 per preference share entitled to dividend. Dividends of €1.28 per ordinary share and €1.30 per preference share were paid for the financial year 2012.

If the company holds additional own shares not entitled to dividends on the day of the Annual General Meeting, the proposed resolution will be changed to the effect that the amounts attributable to these shares will be carried forward to new account.

### Non-controlling interests

This item contains the shareholders' equity and earnings of consolidated subsidiaries attributable to minority interests. The €1.0 million attributable to minority interests (1.6) relate to shareholders in Austria, Greece, and France; In the previous year, it also affected shareholders in the Ukraine.



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**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 PETROLUB 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 provisions recognized in the balance sheet are determined in accordance with IAS 19, with measurement based on actuarial opinions. The provisions are calculated using the projected unit credit method. Besides basic biometric data and the current long-term capital market interest rate, assumptions with regard to future salary and pension increases are also factored in. In Germany, the biometric data is based on the 2005 G mortality tables by Prof. Dr. Klaus Heubeck.

For details on the effects of the first-time adoption of IAS 19 (revised 2011) "Employee Benefits" from January 1, 2013, please refer to the section entitled "Application of new accounting standards".

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Statement of changes  
in shareholders' equity

As of 2008, changes resulting from the remeasurement of net debt are recognized directly in equity 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 on page 118.

In Germany, measurement is based on the following assumptions:

in %	2013	2012
Discount rate	3.5	3.3
Salary trend	2.5	2.5
Pension trend	1.8	1.8
Return on plan assets <sup>1</sup>	3.3	4.6

<sup>1</sup> Previous year's figures adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

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.

in %	2013	2012
Discount rate	2.5 to 9.0	2.1 to 8.0
Average discount rate	4.3	4.1
Salary trend	2.0 to 8.0	2.0 to 8.0
Average salary level trend	2.9	2.4
Pension trend	2.0 to 3.3	2.5 to 2.7
Average pension level trend	3.2	2.7
Return on plan assets <sup>1</sup>	4.6	4.3 to 8.0
Average return on plan assets <sup>1</sup>	4.6	4.8

<sup>1</sup> Previous year's figures adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

Taking into account the basis of measurement described above, the funding status of the pension obligations is as follows:

Funding status (in € million)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Present value of benefit obligations financed by funds in Germany	58.1	60.1	51.4	0.0	0.0
Present value of benefit obligations financed by funds outside Germany	62.5	56.4	46.2	65.5	92.3
Present value of benefit obligations financed by provisions in Germany	0.9	0.9	0.7	52.0	52.4
Present value of benefit obligations financed by provisions outside Germany	4.0	4.2	3.1	3.9	2.5
<b>Total pension benefits</b>	<b>125.5</b>	<b>121.6</b>	<b>101.4</b>	<b>121.4</b>	<b>147.2</b>
Fair value of plan assets in Germany	57.1	55.5	54.8	0.0	0.0
Fair value of plan assets outside Germany	52.9	40.0	34.5	47.7	63.5
<b>Funding status</b>	<b>15.5</b>	<b>26.1</b>	<b>12.1</b>	<b>73.7</b>	<b>83.7</b>
Similar obligations	0.3	0.2	0.2	0.7	0.1
Net obligation as at December 31	15.8	26.3	12.3	74.4	83.8
<b>Balance sheet disclosure:</b>					
<b>Defined benefit assets</b>	<b>0.0</b>	<b>0.1</b>	<b>3.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Pension provision</b>	<b>15.8</b>	<b>26.4</b>	<b>15.8</b>	<b>74.4</b>	<b>83.8</b>

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. The domestic defined benefit pension plans have in principle been closed since 1983.

Following transfer to an external pension provider (ALLIANZ) in 2011, virtually all domestic (German) pension obligations, which were up to then financed by provisions, were assigned to pension obligations financed by funds. The remaining amount is funded by provisions. The transfer comprises a combined model, made up of transferal of already vested benefits in the ALLIANZ pension fund and future benefits still to be vested in the ALLIANZ relief fund.

In addition to this, employee-financed benefit obligations from the so-called "deferred compensation program" are also in place in Germany. As at December 31, 2013, benefit obligations amount to €5.3 million (5.0), which are offset against assets of €5.0 million (4.8) in the consolidated balance sheet. The €0.3 million balance (0.2) of obligations and asset values is disclosed under "Similar obligations".

Where 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 plans have been introduced for new pension commitments in the United States 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 United States took place 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 employer and employee pay premiums into the fund.

The following table shows the development in the present value of benefit obligations:

<b>Benefit obligations (in € million)</b>	<b>2013</b>	2012
Present value as at January 1	121.6	101.4
Currency effects	-1.4	1.5
Current service cost	1.7	1.5
Past service cost	0.0	0.0
Interest expense	4.0	4.7
Remeasurements		
Actuarial losses due to financial assumptions	1.2	13.4
Actuarial losses due to demographic assumptions	1.2	0.0
Actuarial losses and gains due to experience adjustments	0.4	-0.8
Outsourcing to external pension provider (Great Britain)	1.6	4.2
Benefits paid	-4.8	-4.3
<b>Present value as at December 31</b>	<b>125.5</b>	<b>121.6</b>
Netting with plan assets	110.0	95.5
Similar obligations	0.3	0.2
<b>Net obligation as at December 31</b>	<b>15.8</b>	<b>26.3</b>
<b>Thereof</b>		
<b>Pension provision</b>	<b>15.8</b>	<b>26.4</b>
<b>Defined benefit assets</b>	<b>0.0</b>	<b>0.1</b>

For the proportion of pension obligations attributable to pensioners at FUCHS LUBRICANTS UK a decision was taken to transfer these to an insurance company.



### Sensitivity analyses

If all other assumptions remained constant, a 0.5% change to the discount rate and a 0.25% change to the wage/salary or pension developments would have the following effects on the present value of benefit obligations at the end of the current financial year:

Effects (in € million)	Germany	International	Total
<b>Effects on the present value of defined benefit obligations due to</b>			
Changes in the discount rate			
Increase by 0.5% points	-3.7	-3.7	-7.4
Decrease by 0.5% points	4.2	4.2	8.4
Change in anticipated wage/salary developments			
Increase by 0.25% points	0.7	1.0	1.7
Decrease by 0.25% points	-0.5	-1.0	-1.5
Change in anticipated pension developments			
Increase by 0.25% points	1.4	1.4	2.8
Decrease by 0.25% points	-1.2	-1.4	-2.6

As at December 31, 2013, the weighted average term of defined benefit obligations was 12.3 years (13.3) for plans in Germany and 22 years (21) for plans outside Germany.

Additional life expectancy of one year would lead to an increase in the present value of the benefit obligations of €1.9 million, of which €1.0 million is attributable to plans in Germany and €0.9 million is due to plans outside Germany.

Changes to plan assets during the year are detailed below:

Plan assets (in € million)	2013	2012
Fair value as at January 1	95.5	89.3
Currency effects	-0.8	1.1
Interest income from plan assets <sup>1</sup>	3.7	4.2
Running contributions	6.4	4.5
Special payments to the funds outside Germany	8.3	0.0
Benefits paid	-4.8	-4.3
Remeasurements		
Actuarial gains and losses due to financial assumptions <sup>1</sup>	2.2	0.7
Actuarial losses due to experience adjustments	-0.5	0.0
<b>Market value as at December 31</b>	<b>110.0</b>	<b>95.5</b>

<sup>1</sup> Previous year's figures adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

To finance the transfer of defined benefit obligations at the companies in Great Britain to an insurance company, special payments of €8.3 million were made into plan assets.

The fair value of the plan assets is spread over the following asset classes:

in € million	DEC. 31, 2013			DEC. 31, 2012		
	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		80.5	80.5		55.5	55.5
Equity instruments	23.5		23.5	24.9		24.9
Debt instruments	5.8		5.8	12.4		12.4
Raw material funds	0.0	0.0	0.0	2.6		2.6
Cash and cash equivalents	0.0	0.2	0.2	0.1		0.1
<b>Fair value of plan assets</b>	<b>29.3</b>	<b>80.7</b>	<b>110.0</b>	<b>40.0</b>	<b>55.5</b>	<b>95.5</b>

The German plan assets are financed solely by insurance policies with ALLIANZ life insurance. The return on plan assets for the year 2013 was based on the discount rate of 3.3% (4.6). The actual return on plan assets calculated was 2.8% (3.5%). 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 insurance policies, equity instruments, debt instruments, cash and cash equivalents and, in the previous year, also raw material funds. The return on plan assets was based on an average rate of 4.6% (4.8%). The average actual return on plan assets was 13.9% (8.3%).

Total running contributions of €3.6 million (3.3) are budgeted for 2014 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 €1.6 million, with an annual rate of increase of 3%, into the funds as of December 31, 2013 for a period of 7 years and 10 months.



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### 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.

73% 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 is reviewed annually by the fund manager.

Market prices are available for equity and debt instruments. Around 22% of plan assets is invested in equity instruments, while a further 5% is 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 PETROLUB Group amount to €10.6 million (13.2) and are made up of the following components:

<b>Total pension expense (in € million)</b>	<b>2013</b>	2012 <sup>1</sup>
Current service cost	1.7	1.5
Interest expense	4.0	4.7
Interest income from plan assets	-3.7	-4.2
Outsourcing to external pension provider (Great Britain)	1.6	4.2
<b>Expenses for defined benefit pension plans</b>	<b>3.6</b>	<b>6.2</b>
Expenses for defined contribution pension plans	7.0	7.0
<b>Total pension expense</b>	<b>10.6</b>	<b>13.2</b>

<sup>1</sup> Previous year's figures adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

The net interest expense from defined pension obligations amounting to €0.3 million (0.5) is the balance resulting from interest expenses of €4.0 million (4.7) from the interest expense associated with the pension obligations less interest income of €3.7 million (4.2) from the return on plan assets. Due to the retroactive application of the amendments to IAS 19 (revised), the interest income from the return on plan assets declined by €0.3 million in the previous year compared to the originally disclosed figure.

In the context of the approved transfer of defined benefit obligations in Great Britain, expenses of €1.6 million (4.2) were accrued. These expenses are recorded under other operating expenses.

At €3.8 million (3.8), the share of pension contributions paid by the employer in Germany has been included in defined contribution pension plans.

Pension expenses and benefit payments also include the payments for the defined contribution pension plans.

Pension expense breaks down among the following functions or cost types:

<b>Total pension expense (in € million)</b>	<b>2013</b>	<b>2012</b>
Cost of sales	1.9	1.9
Research & development expenses	0.9	0.9
Selling and distribution expenses	2.6	2.9
Administrative expenses	3.3	2.8
Other operating expenses	1.6	4.2
Financial result <sup>1</sup>	0.3	0.5
<b>Total pension expense<sup>1</sup></b>	<b>10.6</b>	<b>13.2</b>

<sup>1</sup> Previous year's figures adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

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**OTHER LONG-TERM PROVISIONS**

in € million	Dec. 31, 2012	Currency exchange differences	Variance in the scope of con- solidation	Additions	Utilization	Reversals	Dec. 31, 2013
Other long-term provisions	4.9	-0.2	0.0	0.2	-1.8	0.0	3.1

This includes provisions for partial retirement obligations of €1.8 million (3.4). Such obligations exist only within Germany. They are measured using actuarial principles and discounted because of their long-term structure. Contractual terms range from four to six years. The term remaining to maturity on the balance sheet date is up to two years. The discount rate is 1.5% (1.5%).

In addition to this, further long-term provisions for employee benefit obligations such as anniversary bonuses are recognized under this item.

For the long-term accounts set up, the provisions measured at their settlement value of €2.3 million (1.3) are netted against the corresponding fair value of assets of €2.3 million (1.3) (acquisition costs of €2.2 million – previous year €1.3 million). In the income statement, expenses and income of €1.0 million each were offset against each other (previous year 0.5).

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**OTHER LONG-TERM LIABILITIES**

Other long-term 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.

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**TRADE PAYABLES**

Trade payables are considered to be current liabilities, as they are generated by operating business. As a rule, they are recognized at amortized costs. Foreign-currency liabilities are translated at the closing rate.

in € million	Dec. 31, 2013	Dec. 31, 2012
Trade payables	129.8	117.0
Bills payable	2.2	2.2
Advance payments received	0.3	0.6
	<b>132.3</b>	<b>119.8</b>

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**SHORT-TERM PROVISIONS**

Short-term provisions mainly consist of the following:

in € million	Dec. 31, 2013	Dec. 31, 2012
Warranty	0.8	0.8
Costs for preparing the annual financial statements	1.5	1.5
Credit notes and bonuses	2.6	3.0
Restructuring work and redundancy payments	1.2	1.5
Environmental obligations	6.0	5.4
Supervisory Board compensation	0.5	0.5
Other obligations	14.8	15.2
	<b>27.4</b>	<b>27.9</b>

Changes to short-term provisions during the year are detailed below:

in € million	Dec. 31, 2012	Currency exchange differences	Additions	Utilization	Reversals	Dec. 31, 2013
Warranty	0.8	0.0	0.1	0.0	0.1	0.8
Costs for preparing the annual financial statements	1.5	-0.1	1.6	1.5	0.0	1.5
Credit notes and bonuses	3.0	-0.3	2.9	3.0	0.0	2.6
Restructuring work and redundancy payments	1.5	0.0	0.3	0.6	0.0	1.2
Environmental obligations	5.4	-0.4	1.7	0.7	0.0	6.0
Supervisory Board compensation	0.5	0.0	0.5	0.5	0.0	0.5
Other obligations	15.2	-0.9	11.1	9.7	0.9	14.8
	<b>27.9</b>	<b>-1.7</b>	<b>18.2</b>	<b>16.0</b>	<b>1.0</b>	<b>27.4</b>

The provisions for restructuring work and redundancy payments contain redundancy payments for employees leaving the company, as well as expected costs for site closures.

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, discounts and costs of legal proceedings.

Interest has not been accrued for any short-term provisions.

**31****SHORT-TERM TAX LIABILITIES**

This item includes total liabilities for income taxes of €23.4 million (28.7). The fall compared to the previous year is mainly attributable to the reduced provisions for corporation and trade tax for Germany and the United States.

**32****SHORT-TERM FINANCIAL LIABILITIES**

All interest bearing obligations of the FUCHS PETROLUB Group with a maturity of up to one year are disclosed under Short-term financial liabilities. They break down as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Liabilities due to banks	7.6	8.8
Other financial liabilities	0.2	0.1
	<b>7.8</b>	<b>8.9</b>

**33****OTHER SHORT-TERM LIABILITIES**

The following is a breakdown of Other liabilities:

in € million	Dec. 31, 2013	Dec. 31, 2012
Obligations for personnel and social expenses	39.8	36.9
Fair value of derivative financial instruments	0.3	0.2
Social security	4.8	4.8
Employees	5.0	5.2
VAT liabilities	8.3	7.5
Other tax liabilities	3.9	3.9
Liabilities due to associated companies	0.0	14.2
Other liabilities	14.5	14.6
	<b>76.6</b>	<b>87.3</b>

The obligations arising from personnel and social expenses mainly relate to ex gratia payments, profit-sharing schemes, commissions, bonuses, and premiums for the employers' liability insurance association.

Other tax liabilities include excise taxes, payroll taxes and flat rate taxes.

In the previous year, the liabilities due to associated companies were €14.0 million held on a fiduciary basis for an associated company in the Middle East which were recognized on the assets side under Short-term other receivables and other assets.

Other liabilities include financing liabilities of €4.7 million (4.9) related to the delivery agreements in France that are disclosed under Other assets. This item also includes commission obligations and customers with credit balances.

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### CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities and other financial obligations were as follows:

Contingencies (in € million)	31. 12. 2013	31. 12. 2012
Guaranties	0.0	2.7
thereof in favor of subsidiaries	0.0	0.0
Securing third-party liabilities	12.8	14.6

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 guaranty is part of our supply and financing agreements with our partners.

Contractual obligations for the purchase of property, plant and equipment amount to €10.0 million (20.2) on December 31, 2013. The lower figure is mainly attributable to our subsidiaries in China and the United States.

#### Operating lease agreements

The Group mainly utilizes rental or operating lease agreements for a high rack warehouse, a production plant, warehouses, vehicles, fork-lift trucks, IT equipment and software.



The nominal value of future minimum lease payments for operating leases as at December 31, 2013 structured by maturity terms are as follows:

<b>Maturities (in € million)</b>	<b>Dec. 31, 2013</b>	Dec. 31, 2012
Up to 1 year	9.7	10.0
1 to 5 years	9.7	14.5
More than 5 years	0.1	2.0
<b>Total of minimum leasing payments</b>	<b>19.5</b>	<b>26.5</b>

Total rental and leasing expense for the reporting year was €14.2 million (12.2). The high rack warehouse contract expires in 2015; however, there is an option to buy as well as a contract renewal clause. We have a right to purchase the production facility once the present contract expires in 2017.

In addition to the operating lease obligations, there were other financial obligations (IT maintenance, etc.) that totaled €1.0 million (0.8).

## 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 balance sheet date and on the methods and prerequisites specified below.

The figures disclosed in the consolidated balance sheet under Other receivables and other assets or Other liabilities do not fully meet the IFRS 7 criteria with regard to the amount. In particular, tax receivables and tax liabilities are not based on contractual agreements and are therefore not regarded as financial instruments.

For trade receivables, Other receivables and other assets, Cash and cash equivalents and Financial liabilities, Trade payables and Other liabilities the carrying amount of the financial instrument largely corresponds to the fair value.

Concerning the measurement categories of IAS 39, the category of loans and receivables includes the carrying amounts of the balance sheet items Trade receivables and Other receivables and other assets.

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

Cash and cash equivalents and liabilities from finance leases are not included in the classification by categories as these financial instruments are not assigned to a measurement category of IAS 39.

#### **b) Net profit or loss from financial instruments**

The table below states the net profit or loss arising from financial instruments recorded in the income statement:

in € million	2013	2012
Financial assets and financial liabilities at fair value through profit and loss	1.2	-0.2
Available-for-sale financial assets	0.0	0.0
Loans and receivables	-3.5	-2.5
Financial liabilities measured at their cost of acquisition	0.3	0.4

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. They are disclosed under 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:

in € million	2013	2012
Total interest income	1.0	1.0
Total interest expenses	-2.3	-2.5

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

**d) Information on derivative financial instruments**

**Use of derivatives.** 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 even 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 balance sheet date for hedging currency risks and sorted by their time to maturity:

Nominal values (in € million)	DEC. 31, 2013				DEC. 31, 2012			
	Up to 1 year	1–5 years	More than 5 years	Total	Up to 1 year	1–5 years	More than 5 years	Total
<b>Instrument</b>								
Forward currency transactions	23.1	0.0	0.0	23.1	16.0	0.0	0.0	16.0
<b>Nominal volume of derivatives</b>	<b>23.1</b>	<b>0.0</b>	<b>0.0</b>	<b>23.1</b>	<b>16.0</b>	<b>0.0</b>	<b>0.0</b>	<b>16.0</b>

The nominal volume is the total of all buying and selling amounts of currency derivatives. The nominal amounts generally correspond with the volumes of the underlying hedged transactions.

Forward currency contracts employed by the FUCHS PETROLUB Group are exclusively used to hedge assets and liabilities. The change in the derivative's fair value is recognized in the income statement. The same applies to the changes in the fair value of assets or liabilities hedged by this. Both changes equalize each other.

On the balance sheet date there were forward currency transactions solely for the purpose of securing existing hedged items (mainly receivables and liabilities from inter-company loans). The inter-company loans were eliminated in the consolidated financial statements through consolidation entries. In addition, there was a small range of forward currency transactions for the purpose of hedging firm commitments. Future (anticipated) transactions were not hedged.

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

**Fair value as at December 31, 2013**

<b>Instrument (in € million)</b>	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	23.1	1.2	1.2	0.0
<b>Total derivatives</b>	<b>23.1</b>	<b>1.2</b>	<b>1.2</b>	<b>0.0</b>

**Fair value as at December 31, 2012**

<b>Instrument (in € million)</b>	Nominal value	Fair value (net)	Recognized in the income statement	Recognized in shareholders' equity
Forward currency transactions	16.0	-0.2	-0.2	0.0
<b>Total derivatives</b>	<b>16.0</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.0</b>

**MANAGEMENT OF RISKS FROM FINANCIAL INSTRUMENTS**

Due to its international business activities, the FUCHS PETROLUB 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 raw material 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.

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 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 tier 2 in the fair value hierarchy. This control is employed strictly according to binding internal guidelines that utilize a four-eye-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 liquid funds 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. If liquid funds are not needed for the ongoing operating business, the funds will be invested within the Group. The Group's finance directive also requires that liquid funds may only be placed at banks with an excellent credit standing (Standard & Poor's/Moody's/Fitch short-term rating of A1/P1/F1 or higher).

**TRADE RECEIVABLES**

Due to its business relations maintained with more than 100,000 customers worldwide, the FUCHS PETROLUB Group permanently keeps significant trade receivables. 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 collaterals must be provided, e. g. in the form of bank guarantees or documentary credits. Alternatively, credit insurance is also used. On the balance sheet date, receivables totaling €3.9 million (4.1) were secured.

For the remaining credit risks bad debt allowances are recorded as soon as they exceed certain limits (see note 21).

**DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER RECEIVABLES AND OTHER ASSETS**

When selecting banks with which derivative transactions are concluded, FUCHS PETROLUB ensures that the counterparty is sufficiently creditworthy. All derivative transactions are concluded with banks carrying 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 regarding the above-mentioned positions is the carrying amount of the receivable or of the financial asset – also if the asset concerns derivative financial instruments or liquid funds. The FUCHS PETROLUB 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.



Note 21

### Liquidity risks

A liquidity risk arises if a company cannot fully meet its financial obligations.

The funds of the FUCHS PETROLUB 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 €7.8 million (8.9) in lines of credit already utilized, the Group also had access to other free lines of credit of €140.3 million (148.7). 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 at December 31, 2013 affect the Group's liquidity situation (non-discounted):

#### MATURITIES OF CONTRACTUAL CASH FLOWS FROM FINANCIAL LIABILITIES AS AT DECEMBER 31, 2013

Financial liabilities (in € million)	Total	2014	2015	2016	2017	2018	≥ 2019
Financial liabilities incl. interest	7.8	7.8	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Trade payables	132.3	132.3	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	11.6	11.6	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>152.0</b>	<b>152.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### MATURITIES OF CONTRACTUAL CASH FLOWS FROM FINANCIAL LIABILITIES AS AT DECEMBER 31, 2012

Financial liabilities (in € million)	Total	2013	2014	2015	2016	2017	≥ 2018
Financial liabilities incl. interest	9.0	9.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Trade payables	119.8	119.8	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	11.4	11.4	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>140.4</b>	<b>140.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

In comparison to the previous year (140.4), financial liabilities rose by €11.6 million to €152.0 million. All financial liabilities are of short-term nature.

The FUCHS PETROLUB 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 €175.2 million (143.7) and €140.3 million in free lines of credit (148.7). Beside this, the Group has short-term trade receivables of €260.4 million from operating activities (250.4).

#### **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 26.

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Note 26

#### **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 purchases of operating companies in a currency which differs from the one in which sales proceeds are achieved. 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 arising from the granting of intra-group foreign currency loans are generally hedged by concluding forward currency transactions or other original or derivative hedging instruments such as foreign currency borrowing or interest rate and currency swaps.

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 PETROLUB Group comprises a large number of Group companies located outside the eurozone. Therefore so-called translation risks arise due to fluctuating exchange rates when converting the sales proceeds and the results for the Group's income statement. They may have a considerable influence on the Group's 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. The changes in the equity position are continuously monitored, but normally not hedged against fluctuations in the exchange rate.

Financial liabilities exist in the following currencies:

<b>Financial liabilities (in € million)</b>	<b>2013</b>	in %	2012	in %
Euro	0.2	2.6	0.4	4.5
Indian rupee	4.4	56.4	4.6	51.7
South African rand	1.5	19.2	0.0	0.0
Indonesian rupiah	0.9	11.5	0.0	0.0
Brazilian real	0.5	6.4	2.2	24.7
Other currencies	0.3	3.9	1.7	19.1
	<b>7.8</b>	<b>100.0</b>	<b>8.9</b>	<b>100.0</b>



**INTEREST RATE RISKS**

Based on a continuous decrease of its financial liabilities, the Group has considerably minimized its interest rate risk over the past years. While in earlier years derivative instruments were used to limit interest rate risks, today's low volume of financial liabilities makes them obsolete. The aim is to ensure that the maturity of funds for financing short-term assets is maturity-congruent with short-term interest rates.

The financial liabilities break down by interest rate agreement as follows. No collaterals were provided.

<b>Financial liabilities (in € million)</b>	Effective interest rate	Fixed interest rate	<b>Carrying amount Dec. 31, 2013</b>	Carrying amount Dec. 31, 2012
EUR short term loans	Variable interest rate	< 1 year	0.2	0.4
INR short term loans	Variable interest rate	< 1 year	4.4	4.6
ZAR short term loans	Variable interest rate	< 1 year	1.5	0.0
IDR short term loans	Variable interest rate	< 1 year	0.9	0.0
BRL short term loans	Variable interest rate	< 1 year	0.5	2.2
Short term loans in other currencies	Respective variable interest rates	< 1 year	0.3	1.7
			<b>7.8</b>	<b>8.9</b>

**Summary of interest rate hedging periods**

<b>Interest rate hedging periods (in € million)</b>	<b>2013</b>	in %	2012	in %
Up to 1 year	7.8	100.0	8.9	100.0
1 to 5 years	0.0	0.0	0.0	0.0
More than 5 years	0.0	0.0	0.0	0.0
	<b>7.8</b>	100.0	8.9	100.0

**Other price risks**

The FUCHS PETROLUB 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 the prices of raw materials 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 revaluation of the euro relative to all foreign currencies by 10%.

When determining the **interest rate risk** for FUCHS at the balance sheet date, only original financial instruments carrying variable interest are included. Original financial instruments with fixed interest measured at amortized costs do not entail interest rate risks pursuant to 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 disclosed on December 31, 2013 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 balance sheet date. A simultaneous depreciation of the euro by 10% in comparison to all foreign currencies would have reduced the financial result by €0.3 million (0.2).

## FURTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how the liquid funds of the FUCHS PETROLUB Group have changed in the course of the year as a result of cash inflows and outflows. In accordance with IAS 7 (Cash Flow Statements), cash flows are classified into cash flows from or into operating, investing and financing activities.

Cash and cash equivalents as shown in the statement of cash flows comprise the cash and cash equivalents recognized 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 short-term investments which can be converted to cash amounts at any time and are only subject to insignificant changes in fair value. Cash and cash equivalents are measured at amortized costs.

Cash flow from operating activities is calculated indirectly based on earnings after tax. With this method, the underlying changes in balance sheet items are adjusted for currency translation effects and for changes in the scope of consolidation. These changes in the balance sheet items, therefore, do not directly correspond to the amounts shown in the balance sheet.

The cash flows from/into investing and financing activities are determined on the basis of actual payments, adjusted by effects from currency translation and from the change in the scope 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 from the cash flow from operating activities and the cash outflow from investing activities.

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### NOTES TO THE SEGMENT REPORTING

Within the scope of segment reporting, the operating segments are made up of the geographical regions reflecting the FUCHS PETROLUB Group's internal organization and reporting structure. In line with the principles of IFRS 8 "Operating segments", this structure is aligned to the Group's internal control system and reflects segment reporting in the Group management committees. 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.

The segment information is based on the same recognition and valuation 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 "Holding companies including consolidation". This includes not only the depreciation, earnings, assets and liabilities of the Group companies, but also the inter-segment eliminations with regard to sales revenues. Intra-group revenues and transfers are transacted at prices and terms of independent business partners.

Segment data includes all direct segment costs as well as indirect costs to a limited degree. The segment assets and segment liabilities include only those assets and liabilities that have contributed towards the achievement of the segment earnings before interest and tax (EBIT).

In Germany, long-term assets (intangible assets and property, plant and equipment) are €175.0 million (172.8). €217.7 million (192.8) is attributable to foreign countries of which €72.1 million (66.1) is attributable to the USA.

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Segments

The overall development of the segments is disclosed on pages 124 and 125 stating the figures for the reporting year and the corresponding figures of the previous year. The statement shows sales revenues, depreciation and amortization expenses and the respective segment earnings (EBIT) as central key performance indicators for each geographic region. The total of segment earnings is transferred to the net profit after tax. Additionally, segment assets and liabilities of the individual segments are disclosed, with the latter being transferred to Group liabilities. Furthermore, the statement contains investments in intangible assets, property, plant and equipment, and financial assets, as well as the average number of employees and EBIT margin of each segment.

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Note 1

Sales revenues by product groups are disclosed in note 1 to the income statement.

## RELATIONSHIPS WITH RELATED PARTIES

The related parties of the FUCHS PETROLUB Group as defined according to IAS 24 are:

- Directly and indirectly held subsidiaries, and FUCHS PETROLUB SE companies consolidated at equity,
- 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
- 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 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. 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 companies and persons are charged on the same basis as those for independent business partners.

The FUCHS PETROLUB Group has receivables of €2.3 million (1.3) relating to supplies and services, as well as other receivables of €0.2 million (0.3) due from companies consolidated at equity. The liabilities are €0.0 million (14.2). In the previous year, €14.0 million were held on a fiduciary basis for an associated company in the Middle East which were recognized on the assets side under "Short-term other receivables and other assets".

The value of goods delivered in 2013 to companies consolidated at equity was €15.5 million (11.1), while Other operating income was €1.3 million (1.1).

The FUCHS PETROLUB Group has receivables relating to supplies and services of €0.2 million (0.2), other receivables of €0.2 million (0.0) and other liabilities of €0.1 million (0.0) due from two (in the previous year one) non-consolidated subsidiaries. The value of goods supplied in 2013 was €1.3 million (0.9).

No consultant contracts are in place with any members of the Executive Board or Supervisory Board.

For information on pension plans please refer to note 26.

A dependent company report has been prepared on relationships with related parties pursuant to Section 312 of the German Stock Corporation Law (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, the independent auditors of FUCHS PETROLUB SE, have audited this dependent company report and provided it with an unqualified audit opinion.



Note 26

**EXECUTIVE BODIES****SUPERVISORY BOARD**

<b>Dr. Jürgen Hambrecht</b> Neustadt an der Weinstraße	Chairman Former chairman of the Executive Board at BASF SE
	Other mandates*: <ul style="list-style-type: none"> <li>■ Daimler AG</li> <li>■ Deutsche Lufthansa Aktiengesellschaft</li> <li>■ Berthold Leibinger GmbH (general partner of TRUMPF GmbH + Co. KG)<sup>1</sup></li> </ul>
<b>Dr. Dr. h.c. Manfred Fuchs</b> Mannheim	Deputy Chairman Former Chairman of the Executive Board of FUCHS PETROLUB SE
<b>Ines Kolmsee</b> Tutzing	Chairwoman of the Executive Board at SKW Stahl-Metallurgie Holding AG
	Other mandates*: <ul style="list-style-type: none"> <li>■ UMICORE S.A.</li> </ul>
<b>Horst Münkel<sup>2</sup></b> Mannheim	Chairman of the joint works council at FUCHS EUROPE SCHMIERSTOFFE GmbH
<b>Lars-Eric Reinert<sup>2</sup></b> Altenholz	Chairman of the European SE works council and the Group work council at FUCHS PETROLUB SE
<b>Dr. Erhard Schipporeit</b> Hannover	Former member of the Executive Board of E.ON SE
	Other mandates*: <ul style="list-style-type: none"> <li>■ BDO AG Wirtschaftsprüfungsgesellschaft</li> <li>■ Deutsche Börse Aktiengesellschaft</li> <li>■ Hannover Rückversicherung AG</li> <li>■ SAP AG</li> <li>■ Talanx Aktiengesellschaft</li> </ul>
	Comparable German and international supervisory bodies: <ul style="list-style-type: none"> <li>■ Fidelity Funds SICAV (Luxembourg)</li> <li>■ TUI Travel Plc. (Great Britain)</li> </ul>

<sup>1</sup> Chairman<sup>2</sup> Employee representative

\* Supervisory Board memberships pursuant to Section 100 (2) of the German Stock Corporation Act (AktG)

**EXECUTIVE BOARD****Stefan R. Fuchs**

Hirschberg

First appointment: 1999

Expiration of the mandate: 2016

Chairman

Other mandates\*:

- Berthold Leibinger GmbH (general partner of TRUMPF GmbH + Co. KG)

Group mandates:

- FUCHS CORPORATION
- FUCHS LUBRICANTS CO.
- FUCHS OIL MIDDLE EAST LTD.

**Dr. Alexander Selent**

Limburgerhof

First appointment: 1999

Expiration of the mandate: 2017

Deputy Chairman

Other mandates\*:

- Vossloh AG

Group mandates:

- FUCHS CORPORATION
- FUCHS LUBRICANTS (CHINA) LTD.
- ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD.

**Dr. Lutz Lindemann**

Kerzenheim

First appointment: 2009

Expiration of the mandate: 2018

Member

**Dr. Georg Lingg**

Mannheim

First appointment: 2004

Expiration of the mandate: 2015

Member

Group mandates:

- 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.
- OPET FUCHS MADENI YAG SANAYI VE TICARET A.S.

**Dr. Ralph Rheinboldt**

Heddesheim

First appointment: 2009

Expiration of the mandate: 2018

Member

Group mandates:

- FUCHS LUBRICANTS BENELUX N.V./S.A.<sup>1</sup>
- FUCHS HELLAS S.A.
- FUCHS LUBRICANTES S.A.U.<sup>1</sup>
- FUCHS LUBRICANTS (UK) PLC
- FUCHS LUBRIFIANT FRANCE S.A.<sup>1</sup>
- FUCHS LUBRIFICANTI S.P.A.<sup>1</sup>
- FUCHS OIL FINLAND OY
- MOTOREX AG LANGENTHAL

<sup>1</sup> Chairman

\* Supervisory Board memberships pursuant to Section 100 (2) of the German Stock Corporation Act (AktG)

**COMPENSATION FOR MEMBERS OF THE EXECUTIVE BOARD**

<b>Compensation of the Executive Board (in € thousand)</b>	<b>2013</b>	2012
Compensation of the Executive Board	7,164	7,011
thereof fixed compensation	1,549	1,513
thereof variable compensation	5,615	5,498
Current service cost for pension commitments to active members of the Executive Board	496	352
Former member of the Executive Board		
Total compensation of former board members	433	411
Balance of pension obligations and plan assets	239	737

The compensation of the Executive Board is made up of a fixed and a variable component. The fixed compensation was paid in the last financial year, while the variable compensation will be paid in the subsequent year. The fixed compensation portions enjoyed an inflation-linked increase.

The variable compensation of the Executive Board is based on an incentive agreement geared toward sustainable company success. This agreement tracks the FUCHS Value Added (FVA) concept and is linked to a performance factor. FVA represents the earnings before interest and tax (EBIT) less the capital costs. The performance factor measures on an annual basis the achievement of the long-term goals set for the entire Executive Board. The variable compensation of the Executive Board increased due to the change to the FVA and the relative weighting of the performance factor. Benefits arising from the occasion of the ending of the working relationship of the Executive Board are not provided for, nor are there any share-based payments.

The balance of pension obligations and plan assets of €239 thousand (737) for former members of the Executive Board results from the existing plan assets of €5,303 thousand (5,128), minus pension obligations of €5,542 thousand (5,865).

According to a resolution passed by the Annual General Meeting of FUCHS PETROLUB SE on May 11, 2011 there shall be no individual disclosure of the Executive Board compensation for the duration of five years.



### COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD

The compensation received by the individual members of the Supervisory Board break down as follows:

Figures (in € thousand) Members of the Supervisory Board	Fixed compensation		Variable compensation		Compensation for committee work		Attendance allowance/ancillary payments		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Dr. Jürgen Hambrecht	60	60	50	48	10	10	18	16	138	134
Dr. Dr. h. c. Manfred Fuchs	45	45	38	36	22	22	18	15	123	118
Dr. Erhard Schipporeit	30	30	25	24	30	30	14	13	99	97
Ines Kolmsee	30	30	25	24	20	20	13	10	88	84
Horst Münkkel	30	30	25	24	0	0	6	5	61	59
Lars-Eric Reinert	30	30	25	24	0	0	6	5	61	59
<b>Total</b>	<b>225</b>	<b>225</b>	<b>188</b>	<b>180</b>	<b>82</b>	<b>82</b>	<b>75</b>	<b>64</b>	<b>570</b>	<b>551</b>

The compensation rules for the Supervisory Board are presented in Section 16 of the company's Articles of Association.

The fixed compensation and compensation for committee work is paid after the end of the financial year, while the attendance allowance is paid after the respective Supervisory Board or committee meeting. The variable compensation for the completed financial year is paid out in the subsequent year as per the resolution passed by the Annual General Meeting.

The main features of the compensation system for members of the Executive Board and of the Supervisory Board of FUCHS PETROLUB SE are disclosed in the Group's management report in accordance with Section 315 (2) no. 4 of the German Commercial Code (HGB). The Supervisory Board's compensation is also described in detail on page 46 f.

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**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). The wording of this Declaration of Compliance is printed on page 45 and is publicly available on the website at [www.fuchs-oil.com/declarationcompliance.html](http://www.fuchs-oil.com/declarationcompliance.html).

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Text of the declaration of compliance

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**FEES AND SERVICES OF THE AUDITOR**

The auditor of the consolidated financial statements is KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim.

Audit fees of €414 thousand (359) for the annual audit, €15 thousand of which is for services concerning the previous year, and €11 thousand (14) for other tax consulting services were domestically recorded as expenses. There were no tax consulting services or expenses for other services. Expenses for other services of €37 thousand were accrued in the previous year.

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**EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to the balance sheet date there have been no events that would materially affect the financial condition or results of operations of the Group.

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**SHAREHOLDING**

As at December 31, 2013

**I. SUBSIDIARIES****GERMANY**

<b>Name and registered office of the company (in € thousand)</b>	Share of equity capital (in %) <sup>1</sup>	Shareholders' equity <sup>2</sup>	Sales revenues 2013 <sup>2</sup>	Consolidation <sup>3</sup>
BREMER & LEGUIL GMBH, Duisburg <sup>4</sup>	100	324	31,047	F
FUCHS EUROPE SCHMIERSTOFFE GMBH, Mannheim <sup>4</sup>	100	60,000	535,140	F
FUCHS FINANZSERVICE GMBH, Mannheim <sup>4</sup>	100	8,615	0	F
FUCHS LUBRITECH GMBH, Kaiserslautern <sup>4</sup>	100	5,021	103,889	F
PARAFLUID MINERALOELGESELLSCHAFT MBH, Hamburg <sup>4</sup>	100	628	14,405	F
WISURA GMBH, Bremen <sup>4</sup>	100	1,100	13,394	F

## EUROPE (EXCLUDING GERMANY)

<b>Name and registered office of the company (in € thousand)</b>	Share of equity capital (in %) <sup>1</sup>	Shareholders' equity <sup>2</sup>	Sales revenues 2013 <sup>2</sup>	Consolidation <sup>3</sup>
CENTURY OILS INTERNATIONAL LTD., Stoke-on-Trent/Great Britain	100	676 <sup>7</sup>	0 <sup>7</sup>	F
FUCHS AUSTRIA SCHMIERSTOFFE GMBH, Thalgau/Austria	70	2,942	16,075	F
FUCHS HELLAS S.A., Athens/Greece	97.4	671	3,701	F
FUCHS LUBRICANTES S.A.U., Castellbisbal/Spain	100	20,740	53,077	F
FUCHS LUBRICANTS BENELUX N.V./S.A., Huizingen/Belgium	100	9,396	28,555	F
FUCHS LUBRICANTS NORWAY AS, Bergen/Norway	100	203	1,644	N
FUCHS LUBRICANTS (UK) PLC., Stoke-on-Trent/Great Britain (subgroup)	100	34,511	150,812	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre Cedex/France	99.7	19,488	109,049	F
FUCHS LUBRIFICANTES UNIPESOAL LDA., Moreira-Maia/Portugal	100	2,653	9,026	F
FUCHS LUBRIFICANTI S.P.A., Buttigliera d'Asti/Italy	100	17,569	59,673	F
FUCHS LUBRITECH INTERNATIONAL (UK) LTD., London/Great Britain	100	6,048	0	F
FUCHS LUBRITECH S.A.S., Ensisheim/France	100	1,991	9,078	F
FUCHS LUBRITECH (UK) LTD., London/Great Britain	100	3,039	3,577	F
FUCHS MAK DOOEL, Skopje/Macedonia	100	842	1,648	N
FUCHS MAZIVA D.O.O., Samobor/Croatia	100	2,404	4,863	F
FUCHS MAZIVA LSL D.O.O., Brezice/Slovenia	100	944	2,400	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Stráncice/Czech Republic	100	3,100	9,240	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gliwice/Poland	100	14,517	52,733	F
FUCHS OIL CORPORATION (SK) SPOL. S R.O., Brezno/Slovak Republic	100	1,576	6,693	F
FUCHS OIL FINLAND OY, Vaasa/Finland	100	662	2,974	F
FUCHS OIL HUNGARIA KFT, Budaörs/Hungary	100	352	3,369	F
FUCHS SMÖRMEDEL SVERIGE AB, Helsingborg/Sweden	100	148	2,561	F
TOV FUCHS MASTYLA UKRAINA (formerly JV FUCHS MASTYLA UKRAINA), Lviv/Ukraine	100	3,486	10,187	F
OOO FUCHS OIL, Moscow/Russia	100	9,294	33,417	F

## ASIA-PACIFIC / AFRICA

<b>Name and registered office of the company (in € thousand)</b>	Share of equity capital (in %) <sup>1</sup>	Shareholders' equity <sup>2</sup>	Sales revenues 2013 <sup>2</sup>	Consolidation <sup>3</sup>
FUCHS JAPAN LTD., Tokyo/Japan	100	2,171	9,100	F
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia (subgroup)	100	33,319	134,963	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	48,472	141,489	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai/India	100	4,770	14,360	F
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	5,647	19,540	F
FUCHS LUBRICANTS (SOUTH AFRICA) (PTY.) LTD., Johannesburg/South Africa	100	11,897	48,591	F
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou-City/People's Republic of China	100	41,426	112,699	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	3,565 <sup>a</sup>	15,136 <sup>a</sup>	F
FUCHS LUBRICANTS PTE. LTD., Singapore/Singapore	100	2,693	11,592	F
FUCHS LUBRICANTS REGIONAL HEADQUARTERS (EAST ASIA) LTD., Shanghai/People's Republic of China	100	1,448	392	F
FUCHS LUBRICANTS TAIWAN CORP., Taipei/Taiwan	100	1,444	6,198	F
FUCHS LUBRICANTS (THAILAND) CO., LTD., Bangkok/Thailand	100	1,490	5,529	F
FUCHS LUBRICANTS VIETNAM COMPANY LIMITED, Ho Chi Minh City/Vietnam	100	0	0	N
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam/ Malaysia	100	1,758	6,262	F
FUCHS THAI HOLDING LTD., Bangkok/Thailand	100	434	0	F
PT FUCHS INDONESIA, Jakarta/Indonesia	100	1,829	8,072	F

## NORTH AND SOUTH AMERICA

<b>Name and registered office of the company (in € thousand)</b>	Share of equity capital (in %) <sup>1</sup>	Shareholders' equity <sup>2</sup>	Sales revenues 2013 <sup>2</sup>	Consolidation <sup>3</sup>
FUCHS ARGENTINA S.A., El Talar de Pacheco/Argentina (subgroup)	100	4,002	13,319	F
FUCHS CORPORATION, Dover, Delaware/USA (subgroup)	100	124,938	256,250	F
FUCHS DO BRASIL S.A., City of Barueri, State of São Paulo/Brazil	100	8,837	38,008	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	10,814 <sup>5</sup>	26,509 <sup>5</sup>	F
FUCHS LUBRICANTS CO., Harvey, Illinois/USA	100	109,138 <sup>5</sup>	219,816 <sup>5</sup>	F
FUCHS URUGUAY S.A., Montevideo/Uruguay	100	56 <sup>6</sup>	0 <sup>6</sup>	F
LUBRICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro/Mexico	100	3,060 <sup>5</sup>	16,093 <sup>5</sup>	F
PROMOTORA FUCHS S.A. DE C.V., Querétaro/Mexico	100	74 <sup>5</sup>	1,382 <sup>5</sup>	F

## II. JOINT VENTURES AND ASSOCIATED COMPANIES

Name and registered office of the company (in € thousand)	Share of equity capital (in %) <sup>1</sup>	Shareholders' equity <sup>2</sup>	Sales revenues 2013 <sup>2</sup>	Consolidation <sup>3</sup>
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia	32	49,415	186,054	E
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	2,890	11,840	E
FUCHS OIL MIDDLE EAST LTD., Sharjah/United Arab Emirates	50	50,745	36,166	E
MOTOREX AG LANGENTHAL, Langenthal/Switzerland	50	5,189	22,973	E
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir/Turkey	50	23,363	91,926	E

## III. OTHER COMPANIES IN WHICH THE GROUP HOLDS AN INTEREST (PERCENTAGE OF SHARES HELD >5%)

Name and registered office of the company (in € thousand)	Share of equity capital (in %) <sup>1</sup>	Shareholders' equity <sup>2</sup>	Sales revenues 2013 <sup>2</sup>	Consolidation <sup>3</sup>
NIPPECO LTD., Tokyo/Japan	11			

<sup>1</sup> Share of FUCHS PETROLUB SE, including indirect holdings.

<sup>2</sup> Shareholders' equity and sales revenues are disclosed at 100%. At domestic companies, the values are based on the German annual financial statements (HB I), while at companies domiciled outside Germany they are generally based on the tried and tested or certified IFRS financial statements (HB II) prior to consolidation. The conversion of shareholders' equities to the Group currency of euros was performed using the closing rate as at December 31, 2013, while the accumulated average annual exchange rate of 2013 was used when converting sales revenues.

<sup>3</sup> Inclusion in the consolidated financial statements:

F = full consolidation as per IAS 27,

E = equity method as per IAS 28,

N = non-consolidated due to immateriality.

<sup>4</sup> Company with profit/loss transfer agreement.

<sup>5</sup> Included in the subgroup financial statements (HB II) FUCHS CORPORATION, USA.

<sup>6</sup> Included in the subgroup financial statements (HB II) FUCHS ARGENTINA S.A., Argentina.

<sup>7</sup> Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS (UK) PLC., Great Britain.

<sup>8</sup> Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Australia.

## DECLARATION OF THE EXECUTIVE BOARD AND ASSURANCE PURSUANT TO SECTION 297 (2), SECTION 315 (1) OF THE GERMAN COMMERCIAL CODE (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, March 14, 2014  
FUCHS PETROLUB SE

Executive Board



S. Fuchs



Dr. A. Selent



Dr. L. Lindemann



Dr. G. Lingg



Dr. R. Rheinboldt

# Independent auditor's report

## TO FUCHS PETROLUB SE

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of FUCHS PETROLUB SE, Mannheim, (until July 18, 2013: FUCHS PETROLUB AG) and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the business year from January 1 to December 31, 2013.

### Management's Responsibility for the Consolidated Financial Statements

The management of FUCHS PETROLUB SE is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) of the German Commercial Code (HGB) and that these consolidated financial statements 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 Executive Board is also responsible for the internal controls which the Executive Board deems to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Audit opinion**

According to Section 322 (3) sentence 1 of the German Commercial Code (HGB) we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) and give a true and fair view of the net assets and financial position of the Group as at December 31, 2013 as well as the results of operations for the financial year then ended, in accordance with these requirements.

**REPORT ON THE GROUP MANAGEMENT REPORT**

We have audited the accompanying Group management report, which is combined with the management report of the parent company, of FUCHS PETROLUB SE, Mannheim, for the financial year from January 1 to December 31, 2013. The Executive Board of FUCHS PETROLUB SE is responsible for the preparation of the Group management report in accordance with the requirements of German commercial law applicable pursuant to Section 315a (1) of German Commercial Code (HGB). We conducted our audit in accordance with Section 317 (2) of the German Commercial Code (HGB) and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the Group management report to obtain reasonable assurance about whether the Group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to Section 322 (3) sentence 1 of the German Commercial Code (HGB) we state that our audit of the Group management report has not led to any reservations.

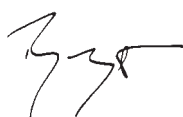
In our opinion based on the findings of our audit of the consolidated financial statements and Group management report, the Group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, March 19, 2014

KPMG AG  
Wirtschaftsprüfungsgesellschaft



Krauß  
Auditor



Beyer  
Auditor

## FUCHS PETROLUB SE (HGB)

CONSOLIDATED  
INCOME  
STATEMENT

in € million		2013	2012
Investment income		203.6	186.6
Administrative expenses		-31.7	-28.9
Other operating income	31.5		36.5
Other operating expenses	-4.9		-7.6
		26.6	28.9
<b>Earnings before interest and tax (EBIT)</b>		<b>198.5</b>	<b>186.6</b>
Financial result		-4.9	-2.3
<b>Earnings from ordinary business activities</b>		<b>193.6</b>	<b>184.3</b>
Income taxes		-32.5	-28.4
<b>Profit after tax</b>		<b>161.1</b>	<b>155.9</b>
Retained earnings brought forward from the previous year		49.0	62.6
Transfer to other retained earnings		-80.6	-78.0
<b>Unappropriated profit</b>		<b>129.5</b>	<b>140.5</b>

BALANCE  
SHEET

in € million		Dec. 31, 2013	Dec. 31, 2012
<b>Assets</b>			
Intangible assets		3.1	2.3
Property, plant and equipment		3.8	3.9
Financial assets		425.3	427.4
<b>Property, plant and equipment</b>		<b>432.2</b>	<b>433.6</b>
Receivables due from affiliated companies	216.6		227.1
Other receivables and other assets	3.5		16.4
Receivables and other assets		220.1	243.5
Cash and cash equivalents		56.5	1.0
<b>Short-term assets</b>		<b>276.6</b>	<b>244.5</b>
<b>Prepaid expenses</b>		<b>0.9</b>	<b>0.7</b>
<b>Total assets</b>		<b>709.7</b>	<b>678.8</b>
<b>Equity and liabilities</b>			
Subscribed capital	71.0		71.0
Accounting par value of shares purchased for redemption purposes	-0.4		0.0
		70.6	71.0
Capital reserves		95.7	95.7
Retained earnings		388.3	329.3
Unappropriated profit		129.5	140.5
<b>Shareholders' equity</b>		<b>684.1</b>	<b>636.5</b>
Pension provisions and similar obligations	0.1		0.1
Other provisions	21.0		24.5
<b>Provisions</b>		<b>21.1</b>	<b>24.6</b>
Liabilities	4.5		17.7
<b>Liabilities</b>		<b>4.5</b>	<b>17.7</b>
<b>Total equity and liabilities</b>		<b>709.7</b>	<b>678.8</b>

# Proposal on the appropriation of profits

The Executive Board will recommend to the Supervisory Board that it proposes the following appropriation of profits to the 2014 Annual General Meeting:

<b>Proposal on the appropriation of profits (in €)</b>	
Distribution of a dividend of €1.38 for each ordinary share entitled to dividend on the balance sheet date; these were 35,320,765 shares	48,742,655.70
Distribution of a dividend of €1.40 for each preference share entitled to dividend on the balance sheet date; these were 35,320,765 shares	49,449,071.00
	98,191,726.70
Balance carried forward	31,337,299.57
<b>Unappropriated profit (HGB) of FUCHS PETROLUB SE</b>	<b>129,529,026.27</b>

If the company holds additional own shares not entitled to dividends on the day of the Annual General Meeting, the proposed resolution will be changed to the effect that the amounts attributable to these shares will be carried forward to new account.

# Glossary

## A

### ASSOCIATED COMPANY

An associated company is an entity in which the investor has significant influence (investor owns 20% or more of the voting shares) and which is not a controlled entity of the investor.

## C

### CAPITAL EMPLOYED

Average capital employed consists of shareholders' equity, interest-bearing liabilities, pension provisions and accumulated 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 presented by the FUCHS PETROLUB Group in the Annual Report is calculated on the basis of

- Profit after tax
- + Depreciation and amortization of long-term assets
- ± Change in long-term provisions
- ± Change in deferred taxes
- ± Non-cash income from companies consolidated at equity.

The gross cash flow is an indication of a company's internal financial resources available for investment, financing net current assets, debt repayment, dividend payments and maintaining liquidity.

### COMPLIANCE

Compliance with all legal requirements, guidelines and ethical standards relevant to the company.

### CORPORATE GOVERNANCE

Internationally used term for responsible 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.

## D

### DECLARATION OF COMPLIANCE

Declaration by the Supervisory Board and Executive Board pursuant to 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 an underlying hedged transaction, without this transaction actually having to be performed. Derivatives are used by the FUCHS PETROLUB Group solely to limit exchange rate and interest-rate risks from the operating business.

## E

### EBIT

Abbreviation for earnings before interest and tax. Profit before financial result, taxes, and including shares of non-controlling shareholders.

### EBITDA

Abbreviation for earnings before interest, tax, depreciation and amortization. EBIT before amortization and depreciation of property, plant and equipment.

### EBIT MARGIN

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

### EBT

Abbreviation for earnings before tax. Profit before tax, and including shares of non-controlling shareholders.

### EQUITY METHOD

Method of consolidation for including joint ventures and associated companies in the consolidated financial statements. The Group's ownership interest is entered as its share of these companies' equity capital. Changes in the equity capital of these companies have an effect on the valuation of the Group balance sheet item "Shares in companies consolidated at equity", proportionate net profits are shown under "Income from companies consolidated at equity" in the consolidated income statement.

### EQUITY RATIO

Proportion of capital resources (= subscribed capital, reserves and accumulated other capital) to the balance-sheet total.

**I****IAS**

Abbreviation for International Accounting Standards. Accounting principles intended to guarantee international harmonization and the comparability of financial statements and disclosure. They are prepared by an international committee, the "International Accounting Standards Board" (IASB).

**IFRS**

Acronym for "International Financial Reporting Standards": They have replaced the "International Accounting Standards" (IAS) since 2001. FUCHS PETROLUB SE has compiled its consolidated financial statements in line with IAS/IFRS since 2002.

**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.

**J****JOINT VENTURES**

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

**M****MDAX**

Share 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.

**N****NET OPERATING WORKING CAPITAL**

Net operating working capital (NOWC) is made up of inventories, trade receivables minus trade payables. It defines the capital needed directly for the generation of sales revenues.

**P****PARTICIPATION INTEREST**

Company, upon which no significant influence is exercised (shareholding less than 20%).

**R****RATE OF TAXATION**

Corporate income tax expense relative to EBIT before income from companies consolidated at equity minus financial result

**RETURN ON EQUITY**

Profit 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 (earnings before scheduled goodwill amortization, financial result, taxes, and non-controlling shareholders in relation to capital employed).

**S****SUBSIDIARY**

Company controlled by another company.

**V****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.

# Imprint

## **Publisher**

FUCHS PETROLUB SE  
Friesenheimer Straße 17  
68169 Mannheim, Germany

Telephone: +49-(0)621-3802-0  
Fax: +49-(0)621-3802-7190

[www.fuchs-oil.com](http://www.fuchs-oil.com)  
[contact@fuchs-oil.de](mailto:contact@fuchs-oil.de)

## **Investor Relations**

Telephone: +49-(0)621-3802-1105  
Fax: +49-(0)621-3802-7274  
[ir@fuchs-oil.de](mailto:ir@fuchs-oil.de)

## **Press**

Telephone: +49-(0)621-3802-1104  
Fax: +49-(0)621-3802-7274

## **Concept and design**

3st kommunikation GmbH, Mainz

## **Photography | picture credits**

Matthias Müller BFF  
Mick Ryan  
Shutterstock  
FUCHS photo gallery

## **Illustration**

Xenia Fink

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# Financial Calendar

## **DATES 2014**

February 28	Provisional figures for the financial year 2013
March 20	Annual report 2013
May 5	Interim report as at March 31, 2014
May 7	Annual General Meeting in Mannheim
May 8	Information event for Swiss shareholders in Zurich
August 1	Interim report as at June 30, 2014
October 31	Interim report as at September 30, 2014

## **ANNUAL GENERAL MEETING 2014**

The Annual General Meeting will take place on Wednesday, May 7, 2014 at 10.00 a.m. 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. The payment of dividends to be approved by the Annual General Meeting will be made on May 8, 2014.

## **DISCLAIMER**

This annual report contains statements about future developments that are based on assumptions and estimates by the management of FUCHS PETROLUB SE. Even if the management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results may differ significantly from these assumptions and estimates due to a variety of factors. These factors can include changes in the overall economic climate, changes to exchange rates and interest rates, and changes in the lubricants industry. FUCHS PETROLUB SE provides no guarantee that future developments and the results actually achieved in the future will match the assumptions and estimates set out in this annual report and assumes no liability for such.



# Ten-year overview

## FUCHS PETROLUB GROUP

Amounts in € million	2013	2012	2011 <sup>10</sup>	2010	2009	2008	2007	2006	2005	2004
<b>Earnings</b>										
Sales revenues	1,831.6	1,819.1	1,651.5	1,458.6	1,178.1	1,393.7	1,365.3	1,323.3	1,192.2	1,096.3
Germany <sup>1</sup>	410.3	411.1	380.9	351.8	267.1	343.7	324.7	300.8	268.2	262.2
International <sup>1</sup>	1,421.3	1,408.0	1,270.6	1,106.8	911.0	1,050.0	1,040.6	1,022.5	924.0	834.1
Cost of materials	1,038.6	1,054.4	954.9	808.0	645.4	820.7	776.7	777.4	682.0	605.6
Gross Profit	689.9	666.0	604.6	567.0	457.1	488.1	509.2	466.9	424.8	407.7
in % of sales revenues	37.7	36.6	36.6	38.9	38.8	35.0	37.3	35.3	35.6	37.2
Earnings before interest and tax (EBIT)	312.3	293.0	263.5	250.1	179.9	171.7	195.2	161.2	128.8	86.2
in % of sales revenues	17.0	16.1	16.0	17.1	15.3	12.3	14.3	12.2	10.8	7.9
Financial result <sup>2</sup>	-1.6	-1.9	-3.7	-4.7	-7.0	-8.9	-8.5	-11.8	-15.7	-18.8
Earnings after tax <sup>2</sup>	218.6	207.0	183.1	171.6	121.4	110.3	120.3	97.2	74.2	40.1
in % of sales revenues	11.9	11.4	11.1	11.8	10.3	7.9	8.8	7.3	6.2	3.7
<b>Assets / equity and liabilities</b>										
Long-term assets	468.2	440.4	392.1	358.8	307.2	292.7	265.8	266.8	279.6	254.0
Short-term assets	693.8	668.3	593.2	535.4	438.5	411.1	449.1	419.6	411.7	374.6
Balance sheet total	1,162.0	1,108.7	985.3	894.2	745.7	703.8	714.9	686.4	691.3	628.6
Shareholders' equity <sup>3</sup>	853.5	781.7	658.2	545.9	392.9	315.3	325.9	303.2	232.6	159.8
in % of total assets	73.5	70.5	66.8	61.0	52.7	44.8	45.6	44.2	33.6	25.4
Provisions <sup>3,4</sup>	46.3	59.2	46.6	97.9	129.2	111.0	111.1	97.0	94.7	97.5
Financial liabilities	7.8	8.9	14.1	19.7	58.2	124.1	71.9	98.5	157.3	194.2
in % of total assets	0.7	0.8	1.4	2.2	7.8	17.6	10.1	14.4	22.8	30.9
Net gearing <sup>5</sup>	-0.18	-0.14	-0.08	0.00	0.13	0.56	0.23	0.38	0.80	1.39
Other liabilities <sup>4</sup>	254.4	258.9	266.4	230.7	165.4	153.4	206.0	187.7	206.7	177.1
Return on equity in % <sup>6</sup>	26.7	29.0	31.0	36.6	35.3	33.3	37.1	36.9	38.1	32.5
<b>Financing</b>										
Gross cash flow	224.6	219.0	134.9	173.4	139.9	126.8	147.8	116.8	100.8	81.7
Cash inflow from operating activities	215.1	203.1	89.2	133.2	206.3	59.6	152.2	90.7	77.8	84.7
Cash outflow from investing activities	-65.2	-62.7	-30.2	-55.5	-25.5	-52.1	-23.8	-4.3	-26.1	-28.6
Cash flow from financing activities	-114.2	-75.8	-71.4	-80.0	-110.7	-50.6	-103.2	-71.2	-54.7	-57.4
Free cash flow	149.9	140.4	59.0	77.7	180.8	7.5	128.4	86.4	51.7	56.1
Investments in property, plant and equipment and intangible assets	70.2	61.0	35.6	32.4	29.9	46.6	24.4	18.1	28.8	22.1
Depreciation of property, plant and equipment and intangible assets (scheduled)	27.7	26.9	26.4	22.5	20.1	18.8	18.8	19.7	21.9	24.3
in % of investments	39.5	44.1	74.2	69.4	67.2	40.3	77.0	108.8	76.0	110.0



## FUCHS PETROLUB GROUP

Amounts in € million	2013	2012	2011 <sup>10</sup>	2010	2009	2008	2007	2006	2005	2004
<b>Employees</b>										
Number of employees (average)	3,846	3,754	3,646	3,534	3,587	3,864	3,807	3,909	4,149	4,221
Germany	1,180	1,143	1,086	1,010	1,003	1,073	1,044	1,077	1,101	1,094
International	2,666	2,611	2,560	2,524	2,584	2,791	2,763	2,832	3,048	3,127
Personnel expenses	255.7	249.1	226.8	215.9	193.8	191.0	182.0	181.5	174.4	173.5
in % of sales revenues	14.0	13.7	13.7	14.8	16.5	13.7	13.3	13.7	14.6	15.8
Sales revenues per employee (in € thousand)	476.2	484.6	453.0	412.7	328.4	360.7	358.6	338.5	287.3	259.7
<b>Research and development</b>										
Research and development expenses	30.6	29.2	27.5	25.1	22.2	22.7	23.7	22.1	20.6	21.4
in % of sales revenues	1.7	1.6	1.7	1.7	1.9	1.6	1.7	1.7	1.7	2.0

## FUCHS SHARES

Amounts in €		2013	2012	2011 <sup>10</sup>	2010	2009	2008	2007	2006	2005	2004
Earnings	Ordinary	3.06	2.90	2.56	2.39	1.69	1.48	1.54	1.23	0.93	0.60
per share <sup>7,8</sup>	Preference	3.08	2.92	2.58	2.41	1.71	1.50	1.56	1.25	0.95	0.62
<b>Dividend distribution</b>											
(in € million) <sup>9</sup>		98.2	91.6	70.3	63.2	39.5	37.1	37.0	25.2	17.4	13.7
Dividend per ordinary share <sup>8,9</sup>		1.38	1.28	0.98	0.88	0.55	0.51	0.48	0.31	0.21	0.17
Dividend per preference share <sup>8,9</sup>		1.40	1.30	1.00	0.90	0.57	0.53	0.50	0.33	0.23	0.19
Number of shares	Ordinary	35,321	35,490	35,490	35,490	35,490	35,792	37,749	38,907	38,907	38,907
in thousand as at 31. 12. <sup>8</sup>	Preference	35,321	35,490	35,490	35,490	35,490	35,792	37,755	38,907	38,907	38,907
<b>Stock exchange prices on December 31</b>											
Ordinary share <sup>8</sup>		61.8	53.0	30.1	32.9	20.2	13.0	21.0	17.3	10.6	8.6
Preference share <sup>8</sup>		71.0	56.2	33.8	37.0	21.6	11.3	20.2	19.3	11.0	8.0
Participation certificate 1998–2008 (in %)		–	–	–	–	–	–	103.5	109.8	113.9	115.3

<sup>1</sup> Sales revenues by customer location.

<sup>2</sup> Previous year's figures have been adjusted due to the application of IAS 19R, see "Application of new accounting standards" in the notes to the consolidated financial statements.

<sup>3</sup> From 2007 on direct allocation of actuarial gains and losses against equity.

<sup>4</sup> From 2011 on employee-related liabilities are shown under Other liabilities. Until 2010 they were stated under Provisions.

<sup>5</sup> The ratio of financial liabilities plus pension provisions and minus cash and cash equivalents to shareholders' equity.

<sup>6</sup> The calculation has been based on average shareholders' equity.

<sup>7</sup> Before scheduled goodwill amortization.

<sup>8</sup> For better comparability, the prior-year figures have been adjusted for changes in the equity structure (bonus shares, share split, capital increases).

<sup>9</sup> Dividend proposal for 2013.

<sup>10</sup> Figures 2011 adjusted, see "Application of new accounting standards" in the notes to the consolidated financial statements 2012.





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