Annual Report

2022

MOVING YOUR WORLD

LUBRICANTS.
TECHNOLOGY.
PEOPLE.
FUCHS

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3 Financial Report

4 Further information

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The figures in parentheses refer to the same period of the previous year. Percentages refer to full millions.

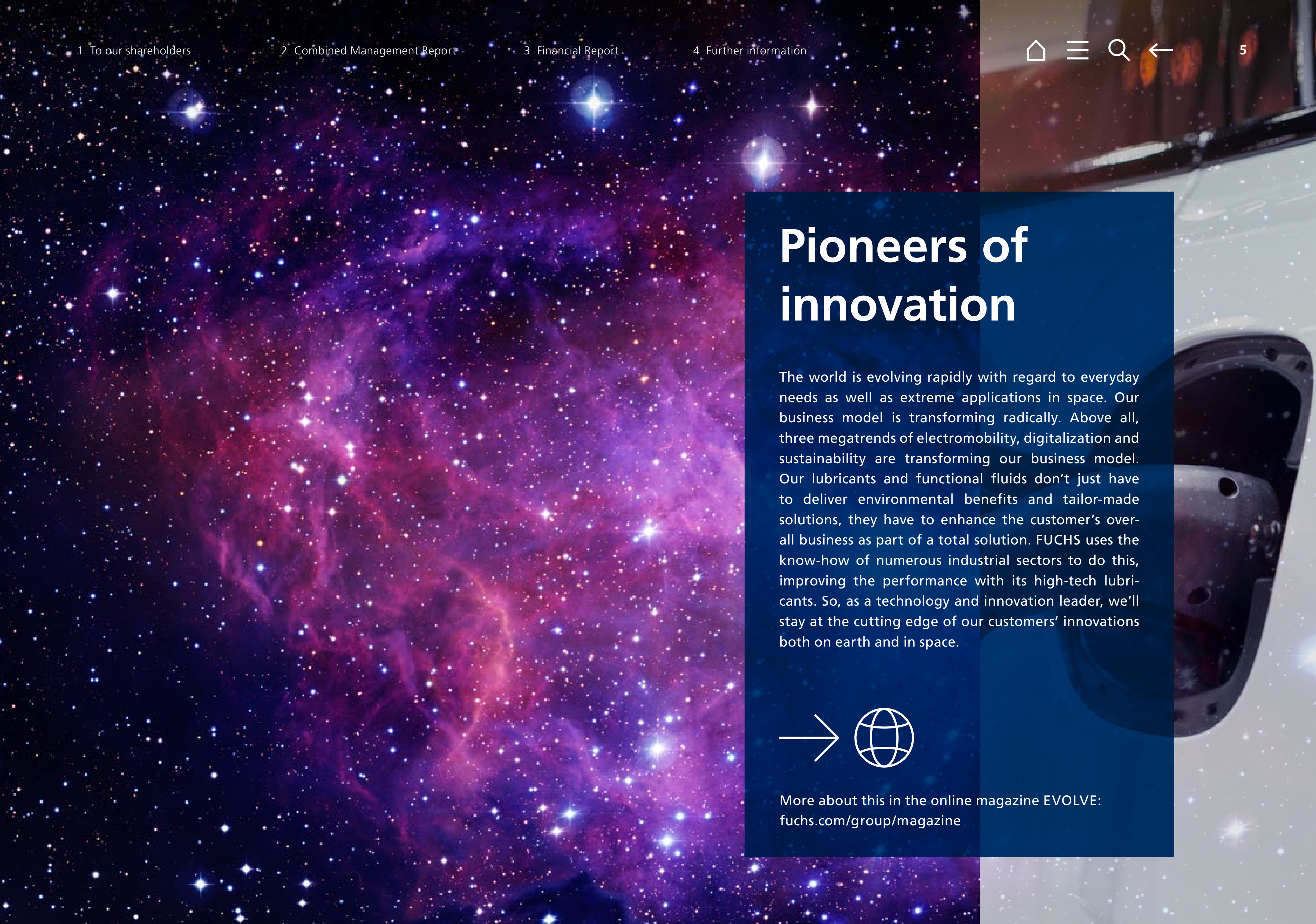
"For decades, we've been meeting highly specific requirements for our lubricants. This even includes missions in space. And that is why we are exploring growth areas like e-mobility even in volatile times. Looking to the future, this means that our aspiration continues to be: Moving the world of our customers forward – with unconditional reliability."

Stefan Fuchs, Chairman of the Executive Board

Unique business model

Efficient solutions for lubricants and functional fluids – excellent service: This has been our focus for more than 90 years. Our holistic solutions are tailor-made and customer-specific. They reduce friction and wear and sometimes even improve the manufacturing process itself. For example, with digital lubricant monitoring and sustainable supply processes. With a great deal of expertise and unconditional reliability, we accompany our customers into the future. As consultants, team partners and problem solvers, we move our customers' world forward.

More about this in the online magazine EVOLVE: fuchs.com/group/magazine



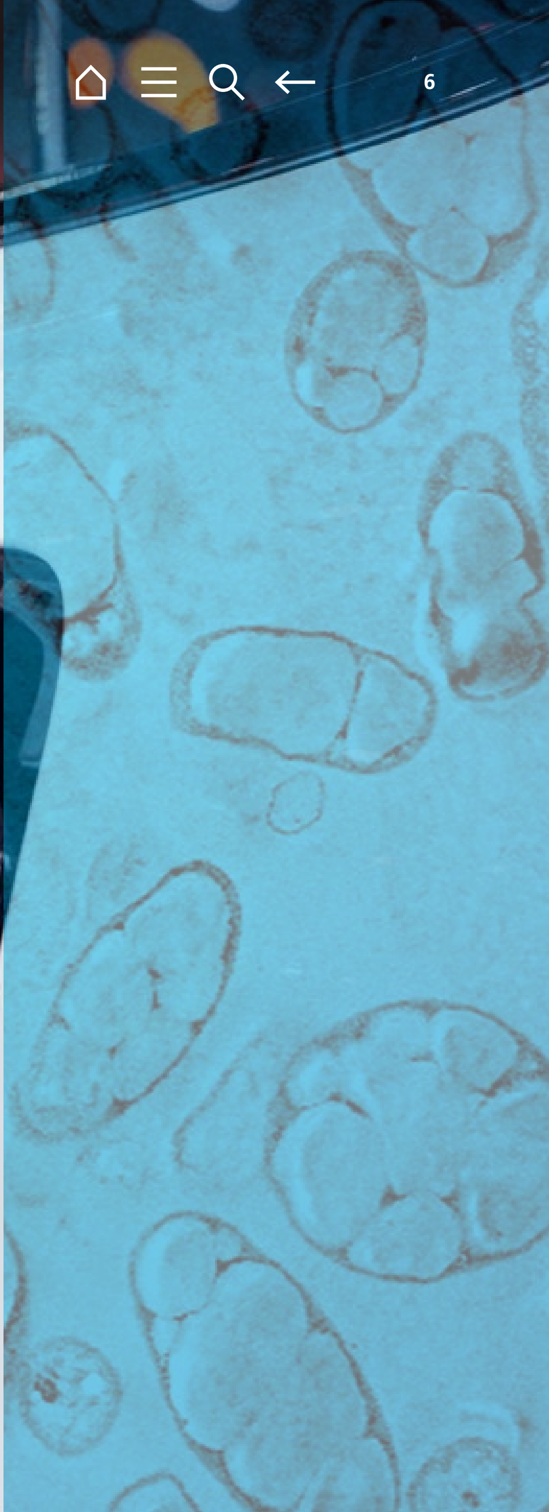
Pioneers of innovation

The world is evolving rapidly with regard to everyday needs as well as extreme applications in space. Our business model is transforming radically. Above all, three megatrends of electromobility, digitalization and sustainability are transforming our business model. Our lubricants and functional fluids don’t just have to deliver environmental benefits and tailor-made solutions, they have to enhance the customer’s overall business as part of a total solution. FUCHS uses the know-how of numerous industrial sectors to do this, improving the performance with its high-tech lubricants. So, as a technology and innovation leader, we’ll stay at the cutting edge of our customers’ innovations both on earth and in space.

More about this in the online magazine EVOLVE:
fuchs.com/group/magazine

Designers in electromobility

The mobility turnaround is accelerating, especially in Europe. Whatever the type of drive, FUCHS offers tailor-made products to help shape the mobility of the future. The strong growth in e-mobility in particular is placing new demands on functional fluids – an opportunity for innovation and growth. This is because the new market for functional fluids, worth about three billion euros, is relevant to numerous FUCHS products and solutions. The interest in the electrolyte specialist E-Lyte and the FUCHS coolants are just two examples that can create new growth in e-mobility.



More about this in the online magazine EVOLVE:
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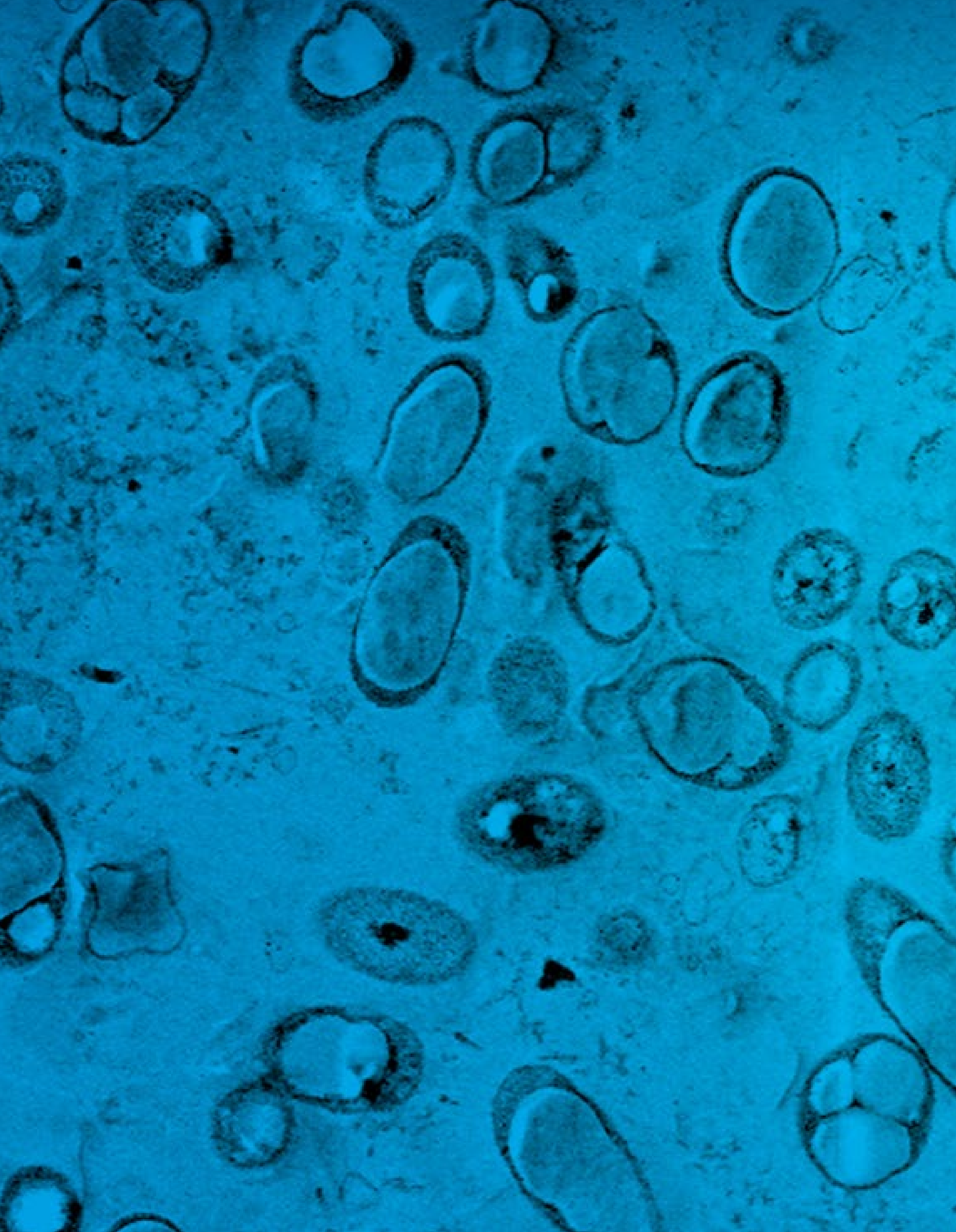


Sustainability in DNA

FUCHS drives sustainability along the entire value chain: The use of high-quality lubricants saves large amounts of energy and emissions, for example. In this way, customers can use our products to develop more sustainable solutions. But also FUCHS itself pursues ambitious goals in this area: Besides its goal of being carbon neutral from raw material to end-of-production (“cradle-to-gate”) by 2025, in the last financial year FUCHS committed to being climate neutral by 2040. Innovative ideas such as the pilot project around the bacterium Cupriavidus necator make this possible. This tiny organism converts carbon-containing waste into biodegradable bioplastic (polyhydroxyalkanoate, PHA), which can be used as a base for thickening agents – an elementary ingredient in our lubricants. That’s one way FUCHS is investing in the development of environmentally friendly raw materials. Thus, it wants to take an important step towards a circular economy.

More about this in the online magazine EVOLVE:
fuchs.com/group/magazine

Digital business models

With the digitalization strategy "FUCHS goes digital", we've established an important program to provide our customers with an efficient and easy purchasing experience while making our processes and workflows in the company smoother, safer and more efficient. We're also implementing the digital transformation internally: Even before the Covid-19 pandemic, FUCHS began to harmonize internal IT systems and use software to control processes at all sites even more efficiently and accurately.

More about this in the online magazine EVOLVE:
fuchs.com/group/magazine

Financial targets firmly in focus

For the first time in the company's history, FUCHS has set financial targets in 2022. Suitable structures and processes are created in the company along a clear market segmentation. They facilitate market penetration and create growth potential. At the same time, FUCHS is diversifying its business through product developments for booming markets such as e-mobility and offering innovations in existing segments. Based on this, FUCHS plans to achieve an annual organic growth rate in the mid single-digit percentage range and an EBIT of €500 million by 2025. Shareholders should also benefit from this: Alongside the share buyback program that began in 2022, we intend to increase the dividend annually.

For more information on the financial objectives, see page 13

"FUCHS has set ambitious financial targets. These must be driven by consistent performance management."

Isabelle Adelt, CFO

"FUCHS is known as a leader in technology and innovation. I'd like to strengthen this position together with the FUCHS team."

Sebastian Heiner, CTO

Looking ahead with a clear view

New to their positions – but they've got a lot in store: Isabelle Adelt (CFO) and Sebastian Heiner (CTO). What convinced them about FUCHS and what would they like to tackle first? Three questions, three answers of the new members of the Executive Board.

1. Ms. Adelt, you've been the Chief Financial Officer (CFO) at FUCHS since November 2022. What was your first impression?

For me, FUCHS combines the best of two worlds. I realized this during the first conversation with Stefan Fuchs and Dr. Timo Reister. In a family business, there is a very special sense of togetherness. After our conversation, Stefan offered to show me the company. He and Timo took three hours of their time to do this. They knew every employee, greeted them and talked to them. "Welcome to the FUCHS family" was the standard greeting – and that speaks for itself. On the other hand, FUCHS is a publicly traded company that needs to make its way in the capital market. This is an exciting combination that won me over right away.

"For me, open communication and a feedback culture with all stakeholders are the key to success."

Isabelle Adelt, CFO

2. What challenges and opportunities do you see for FUCHS and what topics will you tackle first?

The investment program has created the best conditions for future growth. This is what we now want to do, in spite of the continuing difficult economic environment. To this end, FUCHS set ambitious financial goals in the past financial year, which must now be implemented. For example, we aim to achieve an EBIT of €500 million by 2025 and pay our shareholders a higher dividend each year. This calls for strict performance management, which includes all the processes of managing and controlling performance in the company. I've also been closely involved in the topic of digitalization since my first day. Implementing the global planning and control software S/4HANA will be a major project over the coming years, alongside a large number of projects geared to the market and our customers.

3. What experiences from your previous career do you want to bring to FUCHS?

The focus of my work to date has been on performance management. I've been instrumental in advancing this in various leadership positions both in Europe and Asia. Other core themes for me are finance excellence, digitalization and internationality. I also want to add value at FUCHS in these areas. The goal is to achieve a high level of transparency and to make markets, customers, business models and processes more tangible and measurable. For me, open communication and a feedback culture with all stakeholders are the key to success. In my first few months, I have had very positive experiences in this regard, and so I'm confident that we'll succeed if we keep on this path.

1. Mr. Heiner, you've been with FUCHS since September 2020, most recently serving as Executive Vice President of Technology and Deputy CTO. How have you settled into your new role as CTO?

Very nicely! Since my first day at FUCHS, we've mastered several challenges. The advantage of this for me was that it gave me immediate insight into the FUCHS Group, its business areas and procedures. The support of my predecessor, Lutz Lindemann, and the entire FUCHS team helped me to quickly familiarize myself with the various topics. Of particular note here are the huge price increases and global supply chain challenges that we've managed well together over the past two years. The technological development of FUCHS is, of course, particularly close to my heart. FUCHS is known as a leader in technology and innovation. I want to strengthen this position together with the FUCHS team.

2. The megatrends of e-mobility and sustainability are two key topics for FUCHS. How do you feel about this?

I look positively at the shift towards electromobility. The shift in mobility increases the requirements for lubricants. For us as a specialty provider with a clear focus on high-quality and technologically sophisticated products, this is very good news. We have identified a €3 billion market for novel functional fluids such as thermofluids, of which we believe around 50% can be addressed. We want to gain a significant share of that market. Sustainability is a central pillar of our FUCHS2025 strategy. With our products, we enable our customers to act more sustainably and play a crucial role in reducing their carbon footprint. We are also looking at our own carbon balance, of course. For example, we've been carbon neutral ("gate-to-gate") since 2020 and plan to extend this to our upstream supply chains ("cradle-to-gate") by the end of 2025. By 2040, we aim to be entirely climate-neutral. A key task over the next few years will be defining, driving forward and implementing the actions needed to do this.

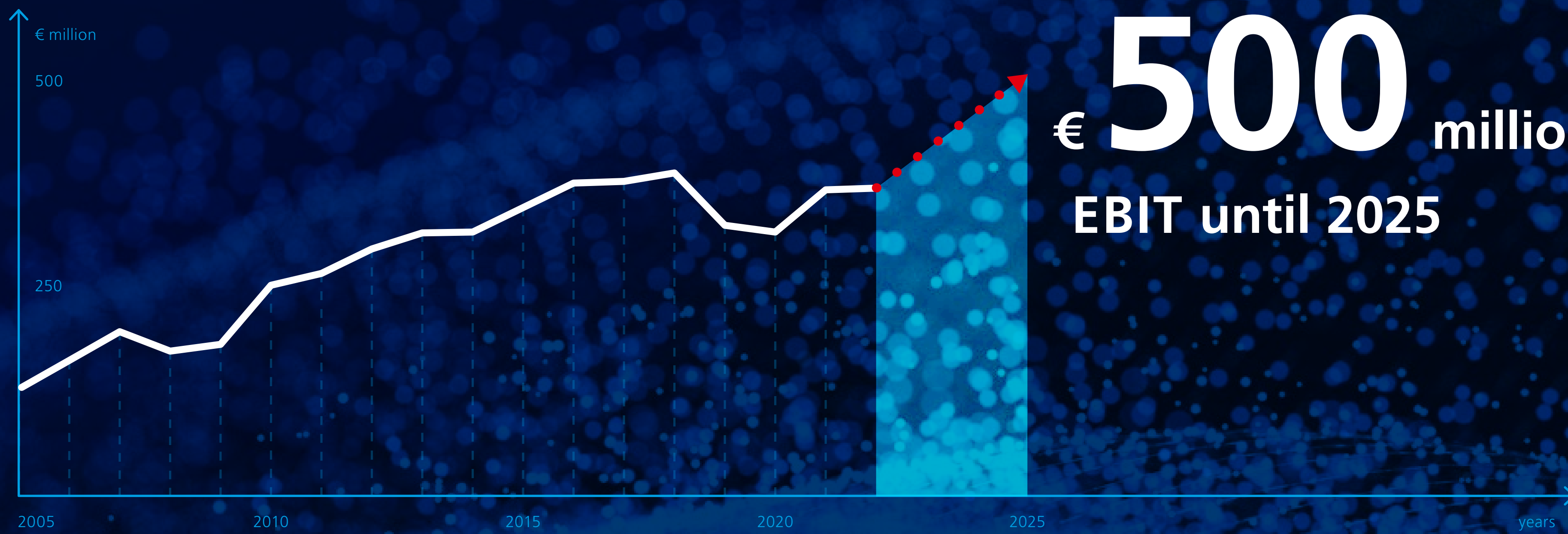
"The mobility transformation increases the requirements for lubricants. For us as a specialty provider with a clear focus on high-quality and technologically sophisticated products, this is very good news."

Sebastian Heiner, CTO

3. What makes FUCHS stand out in your eyes?

The unique combination of agility, dynamism, team spirit, willingness to innovate and implementation capability. The fact that all these qualities stand side by side on an equal footing has fascinated me from the first moment. FUCHS is also distinguished by its open feedback culture and flat hierarchies. I very much appreciate this overall package.

Financial targets



€ 500 million

EBIT until 2025

Mid single-digit percentage

annual sales growth

Long-term EBIT margin

~15%

Average cash conversion rate

0.8x

Increase of dividend

each year

FUCHS at a glance

FUCHS Group

Amounts in € million	2022	2021	Change in %
Sales revenues [1]	**3,412**	**2,871**	**19**
Europe, Middle East, Africa (EMEA)	2,036	1,710	19
Asia-Pacific	929	855	9
North and South America	653	471	39
Consolidation	–206	–165	
Earnings before interest and tax and before income from companies consolidated at equity	**356**	**354**	**1**
in % of sales revenues	10.4	12.3	
Earnings before interest and tax (EBIT)	**365**	**363**	**1**
Earnings after tax	**260**	**254**	**2**
in % of sales revenues	7.6	8.8	
Investments in long-term assets	**79**	**80**	**–1**
in % of scheduled depreciation [2]	95	104	
Free cash flow before acquisitions	**61**	**90**	**–32**
Acquisitions	**–2**	**–29**	
Free cash flow	**59**	**61**	**–3**
FUCHS Value Added	**172**	**205**	**–16**
Shareholders' equity	**1,841**	**1,756**	**5**
in % of balance sheet total	73	76	
Balance sheet total	**2,523**	**2,311**	**9**
Employees as at December 31 [3]	**6,104**	**5,976**	**2**
Earnings per share (in €)			
Ordinary share	1.87	1.82	3
Preference share	1.88	1.83	3
Proposed dividend / dividend (in €)			
per ordinary share	1.06	1.02	4
per preference share	1.07	1.03	4

[1] By company location.
[2] Capital expenditure excluding financial assets and rights of use.
[3] Including trainees.

FUCHS in numbers

€ 3,412 million

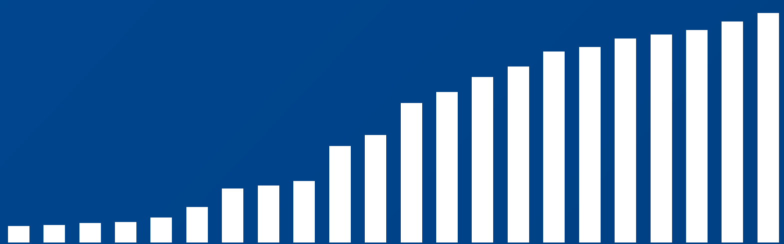
Sales revenues in 2022

73 %

Equity ratio on a high level

6,104

Employees

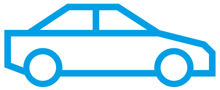


21 years

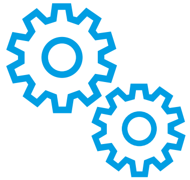
of consecutive dividend increases with an average annual growth rate of 13%

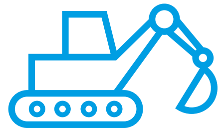
Dividend paid per preference share from 2001 to 2022

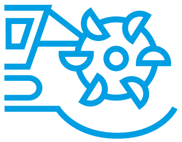
Our customers

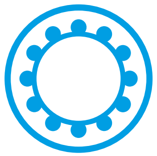

Automotive

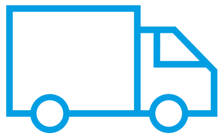

Industry

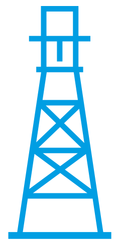

Engineering

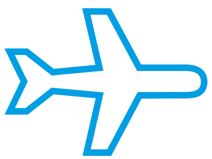

Construction

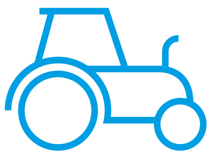

Mining

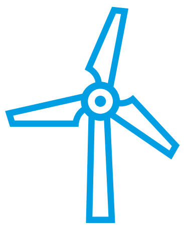

Transport

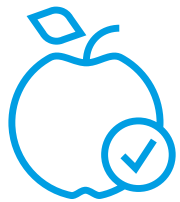

Heavy duty


Steel & cement


Aerospace


Agriculture


Wind energy


Food

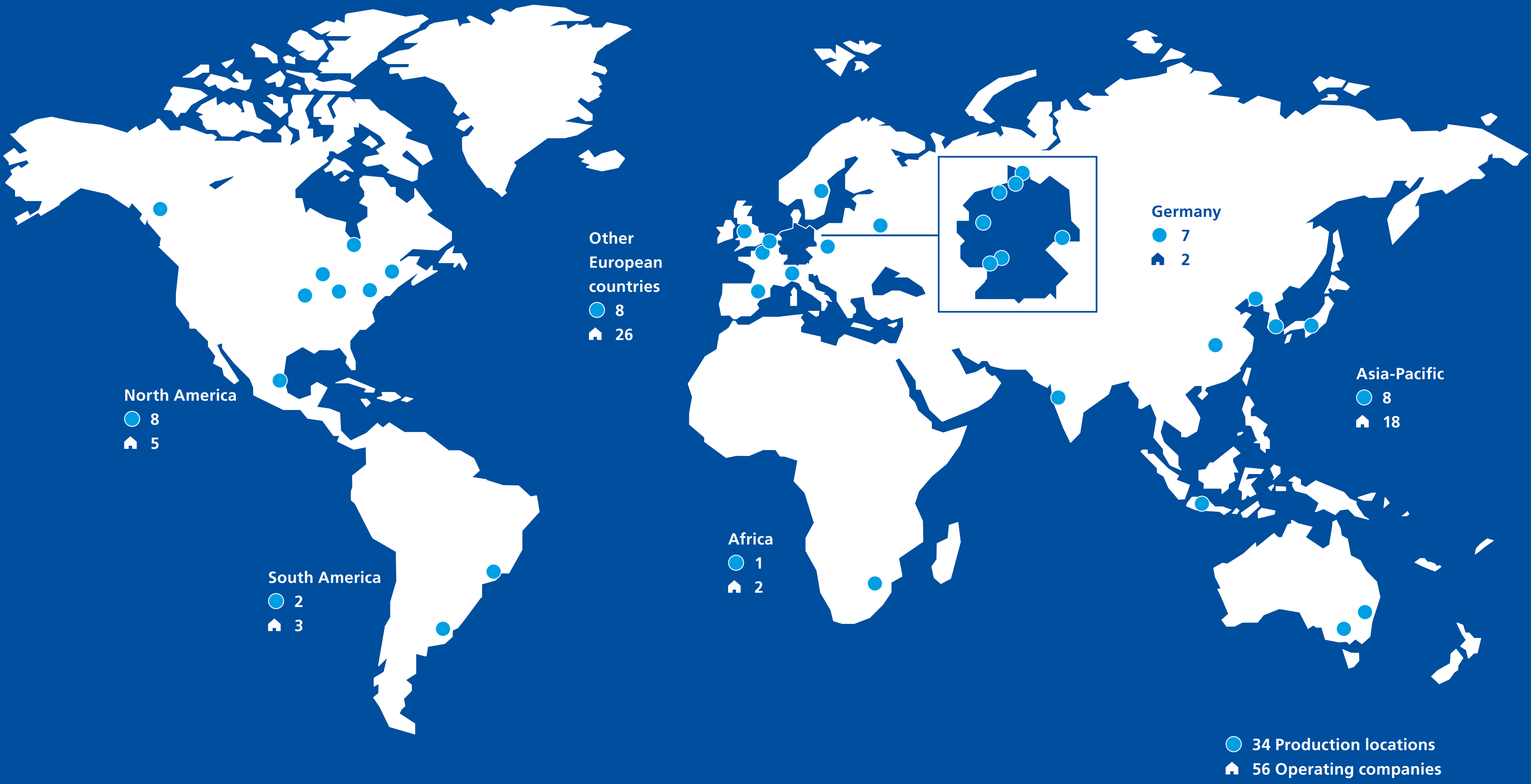
Our more than 100,000 customers include automotive manufacturers and their suppliers, companies in the engineering, metalworking, mining and exploration, aerospace, power generation, construction and transport sectors, agriculture and forestry, steel, metal, cement, casting and forging industries as well as in the food industry and the glass manufacturing sector. FUCHS lubricants are tailor-made, stand for performance and sustainability, safety and reliability, efficiency and cost savings and meet the highest quality standards.

Group structure

FUCHS PETROLUB SE is the parent company of the FUCHS Group and has mostly direct or indirect, 100 % shareholdings. As of December 31, 2022, the Group comprised 56 operating subsidiaries, two of which operate in Germany and 54 abroad. The consolidated financial statements also include non-operating holding and management companies, increasing the number of consolidated companies to 63. Eleven companies valued at equity also strengthen our global presence.

The organization and reporting structure is based on the regions: EMEA, Asia-Pacific, North and South America.

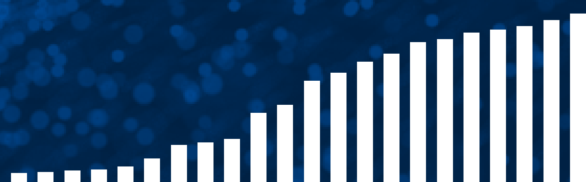
Group companies and production locations



As at December 31, 2022

To our shareholders

Dividend paid per preference share from 2001 to 2022



21 years

of consecutive dividend increases with an average annual growth rate of 13%

1.1 Letter to our shareholders

Dear shareholders,

In what was a very challenging year in 2022 we achieved an **EBIT** of €365 million, slightly exceeding the previous year's result. We are very pleased with this operating result.

The Russian-led war in Ukraine was the most affecting theme for us in 2022. It is an incomprehensible act and something we unreservedly condemn. Our thoughts are especially with our colleagues in Ukraine, who are working with pride and courage in their homeland. Already volatile commodity markets have become even more heavily strained by this war. Supply bottlenecks with an unprecedented shortage of raw materials, roughly 70% increases in raw material costs in just two years, and high inflation rates impacting our costs preoccupied us throughout the whole year. Our primary goal was to ensure a secure supply for our customers even in these extreme conditions, which we achieved through an exceptional all-round team performance. In China, our growth market of the past few years, the country's zero-Covid policy has paralyzed the economy. The recent reversal of this policy will revive China's economy in the course of 2023, but it caused a near-complete standstill by the end of 2022.

One of the biggest successes of the past year was that our sales teams were able to work with our customers to compensate for the extreme increases on the cost side. Thus, in 2022, FUCHS generated **sales revenues** of €3.4 billion, 19% higher than the previous year, a rise achieved mainly through prices.

The regions of Europe, the Middle East, Africa (EMEA) and North and South America increased their EBIT by €4 and €17 million respectively. Our broad regional positioning thus paid off once again. That is because

Stefan Fuchs,
Chairman of the
Executive Board

the performance improvements in these two regions helped to offset the drop in the Asia-Pacific region's performance as a result of China's strict zero-Covid strategy.

As expected, the increases in raw material costs and the consequent increases in sales prices led to a significant inflation of our net operating working capital. As a result, we were unable to reach the previous year's levels for **free cash flow** and **FUCHS Value Added (FVA)** despite a good final spurt in the fourth quarter. Our balance sheet structure remains extremely robust, giving us ample scope for internal and external growth in the coming years. Therefore, we are offering you, our valued shareholders, the **21st dividend increase** in a row.

In 2022, as part of FUCHS2025, we continued to work and improve in the three dimensions of culture, structure and strategy. Here, we focused intensively on the three major megatrends of **sustainability, digitalization and the shift in mobility**. Each of these three areas presents great challenges but also major opportunities for our organization, which we are consistently addressing:

Sustainability is central to what we are about as a company. Our companies are working hard to make our vision of complete climate neutrality a lived reality. The basic properties and modes of action of lubricants are designed to prevent wear and friction in their application, which substantially reduces our customers' environmental footprint.

"FUCHS goes digital" is an important program to provide our customers with an efficient and easy purchasing experience while making our processes and workflows in the company smoother, safer and more efficient.

The shift in mobility is an exciting challenge. Overall, we see significantly more opportunities than risks for our business. In terms of battery-powered cars, an additional market for cooling, electric driveline fluids and specialty electrolytes is developing, and we will benefit from it over the long term.

We have had two changes on the **Executive Board** in recent months, which have resulted in a significant rejuvenation of the Board and more international experience on it. Dr. Lutz Lindemann is stepping down from the Executive Board in a few weeks and entering his well-deserved retirement, as planned. Over more than 25 years, he has shaped the positive development of the FUCHS Group, especially in the technical field. I would like to thank him very much for that. Dr. Sebastian Heiner is his successor. He, as CTO, and Isabelle Adelt, as CFO, are excellent additions to our Board team, particularly in view of the challenges that lie ahead. We thank Dagmar Steinert for her contribution during the 7 years she worked as CFO for FUCHS and we wish her all the very best.

We are moving our customers' world with high-performance lubricants and innovative service concepts. With our motivated team, which is globally connected and locally close to our customers, FUCHS is targeting continued profitable growth in 2023. The plans for this are based on consistent sales segmentation with a focus on the most relevant customer segments. For the current year, we plan for sales revenue growth in the mid single-digit percentage range and an EBIT of around €390 million.

The projected increase in EBIT is a further step towards our 2025 EBIT target of €500 million.

I would also like to thank you on behalf of the entire Executive Board for your trust in the company and our staff. I would like to thank our global team for their high level of commitment and excellent performance in what are challenging times for all of us.

Mannheim, March 7, 2023

Yours

Stefan Fuchs

Chairman of the Executive Board

1.2 Organization

Executive Board

→ 194 Information on the company's executive bodies

Isabelle Adelt
Stefan Fuchs, CEO
Dr. Lutz Lindemann
Dr. Sebastian Heiner
Dr. Timo Reister
Dr. Ralph Rheinboldt

Group Management Committee

Dr. Lutz Lindemann
OEM and Mining Division

Stefan Fuchs
CEO

Klaus Hartig
East Asia, Automotive Aftermarket Division

Dr. Sebastian Heiner
CTO

Isabelle Adelt
CFO

Keith Brewer
America

Zhu Quingping
China

Christine Vornbäumen
Human Resources

Dr. Thomas Christmann
Industry Division, Specialty-Division

Carsten Meyer
OEM and Mining Division

Stefan Knapp
Germany and Benelux

Dr. Timo Reister
Asia-Pacific, North and South America, Automotive Aftermarket Division

Dr. Ralph Rheinboldt
EMEA, Specialty-Division, Industry Division

1.3 Report of the Supervisory Board

Dear shareholders,

Following the departure of Dr. Kurt Bock in the financial year 2022, I am pleased to address you in this annual report as the new Chairman of the Supervisory Board. The entire Supervisory Board would like to thank Dr. Bock for his part in our successful working relationship and wishes him all the best for the future.

For FUCHS, as for many companies, the financial year 2022 was a year of great challenges. The war in Ukraine and the sanctions against Russia, the zero-Covid policy and lockdowns in China, the disruptions in supply chains, and inflation did not leave FUCHS unaffected. It is therefore all the more pleasing that we were nevertheless able to achieve significant sales growth and EBIT on a par with the previous year. This is once again a notable achievement. FUCHS is economically sound and well-positioned for the future. The clear strategy and cultural program FUCHS2025 has defined the path for further growth and the necessary changes. The equity holding in E-Lyte acquired in the financial year 2022 is an example of this focus to approach the changes brought about by electromobility as a major opportunity. In addition to the existing broad product portfolio of lubricants and greases, another business area in high-performance electrolytes was opened up. In light of these developments and given the good capitalization, the Executive Board and Supervisory Board are therefore again proposing a higher dividend.

Work performed by the Executive Board and Supervisory Board

In the financial year 2022, the Supervisory Board again performed its advisory and monitoring duties with the utmost diligence in accordance with the requirements of law, the company's Articles of Association and its rules of procedure. At the same time, it fully complied with the recommendations of the German Corporate Governance Code (hereinafter Code) in the version published in the Federal Gazette (Bundesanzeiger) on March 20, 2020. The recommendations of the Code, as published in the Federal Gazette on June 27, 2022, will also be fully followed in the future.

The Supervisory Board and the Executive Board continued their good and effective cooperation seen over the past few years. The Executive Board informed the Supervisory Board regularly, promptly, and comprehensively about all relevant issues, particularly the strategy, the planning, the business development, the risk situation, the internal monitoring system, risk management, and compliance. Deviations in the business development from the plans drawn up and the targets agreed were examined, specifying the reasons for this. In addition, the Chairman of the Executive Board immediately informed the Chairman of the Supervisory Board of major events that were significant for the assessment of the company's situation and development and for the management of the company. All this enabled

Dr. Christoph Loos, Chairman of the Supervisory Board

open discussion and trusting cooperation between the Executive Board and the Supervisory Board.

In its self-assessment of how effectively the Supervisory Board as a whole and its committees are performing their tasks, the Supervisory Board did not determine any significant need for improvement at its meeting in December 2022. Upon assuming the chairmanship of the Supervisory Board in May, Dr. Christoph Loos held discussions with all the Supervisory Board members, on the basis of which the Board as a whole agreed on the cornerstones of its future cooperation.

In the Supervisory Board's opinion, three of the four shareholder representatives, and thus an appropriate proportion, are independent within the meaning of recommendation C.6 of the Code. These include Dr. Christoph Loos, Ms. Ingeborg Neumann and Dr. Markus Steilemann. Dr. Kurt Bock was also considered independent of the company and its Executive Board, as well as of the controlling shareholder, until his departure. No conflicts of interest arose either in the case of the Executive Board members or Supervisory Board members in the reporting period.

Changes in the Supervisory Board

The following changes took place in the Supervisory Board in the financial year 2022. Dr. Kurt Bock resigned from his position as Chairman and member of the Supervisory Board at the end of the Annual General Meeting on May 3, 2022. Dr. Christoph Loos took over as Chairman of the Supervisory Board. The Annual General Meeting held on May 3, 2022, elected Dr. Markus Steilemann, CEO of Covestro AG, as a member of the Supervisory Board.

By way of preparation, Dr. Steilemann held individual meetings with Stefan Fuchs, Chairman of the Executive Board, and with all members of the Supervisory Board.

Reports and board meetings

All Supervisory Board members attended a total of seven Supervisory Board meetings in 2022, all of which were held as physical meetings with the exception of the meeting on June 21, 2022. The Supervisory Board was promptly and comprehensively informed by the Executive Board, both in writing and orally, about the company's corporate policy, business development, profitability, liquidity and risk situation, and on all relevant questions regarding strategic advancements in accordance with the duties set out in the rules of procedure. In addition to the rising inflation in many countries, the meetings focused on commodity scarcity and price increases, as well as the associated impact on FUCHS' supply capacity, results of operations, and financial resources. Discussions also regularly focused on reports from the committees, budget monitoring including the development of the investments, and key investment and acquisition projects. Following proportionate 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 Articles of Association.

The changes to the Executive Board in 2022, as well as the upcoming changes in 2023, were subject to several votes on the Supervisory Board. During the meetings in March and July, as well as the written circulation procedure in April, the Supervisory Board addressed the appointment of Ms. Isabelle Adelt as a member of the Executive Board, effective November 1, 2022, and the departure of Ms. Dagmar Steinert, effective November 30, 2022. The appointment of Dr. Sebastian Heiner as a member of the Executive Board, effective January 1, 2023, and the resignation of Dr. Lutz Lindemann, effective March 31, 2023, were discussed by the Supervisory Board at its meeting in December.

In the balance sheet meeting on March 17, 2022, the Board conclusively reviewed, discussed, and approved the annual and consolidated financial statements as well as the Combined Management Report and the non-financial declaration of FUCHS PETROLUB SE, the report of the Supervisory Board and the Declaration of Corporate Governance, the compensation report, the Executive Board's proposal for the appropriation of profits, and the report on its relationship to affiliated companies in the presence of the auditor. The proposed resolutions for the agenda for the Annual General Meeting 2022 of FUCHS PETROLUB SE were also approved in this meeting. In addition, variable compensation for Executive Board members was established for the financial year 2021. The Supervisory Board discussed the impact of the war in Ukraine. Another topic was the update on the Africa, Middle East and Türkiye regions.

In the meeting held immediately before the Annual General Meeting on May 3, 2022, discussions focused on the report by the Executive Board on current business performance after the end of the first quarter and the worsening situation on the commodity markets. In the meeting held immediately after the Annual General Meeting, the election of the Chairman of the Supervisory Board and the elections to the Audit Committee, Personnel Committee and Nomination Committee took place. Dr. Christoph Loos has been elected Chairman of the Supervisory Board and thus assumed the chairmanship of the Personnel and Nomination Committee in accordance with the rules of procedure of the Supervisory Board. At the same time, Dr. Loos was appointed as a member of the Audit Committee. Dr. Markus Steilemann was elected as a member of the Audit and Personnel Committees and automatically joined the Nomination Committee as a shareholder representative on the Supervisory Board.

At its meeting on June 21, 2022, held via video conference, the Supervisory Board addressed the subject of the share buyback program and agreed with corresponding decision of the Executive Board.

The meeting on July 5, 2022, was convened as a strategy meeting. In addition to the general topics, the Supervisory Board focused on the FUCHS2025 strategy and discussed its status and roadmap for further implementation. The key elements of future cooperation were debated on the basis of previous discussions between the Chairman of the Supervisory Board and all the members of the Supervisory Board. The Supervisory Board also received detailed information on FUCHS' digitalization, the specialty segment and market segmentation, as well as an experience report from the Deputy CTO. In connection with the annual and consolidated financial statements, the Supervisory Board delegated to the Audit Committee the assignment of further audit assignments to the statutory auditor, such as for the non-financial declaration and the compensation report.

The Supervisory Board held its meeting on October 12, 2022 in Stockholm at the Swedish subsidiary's headquarters. It focused on the results of the third quarter, the outlook for the full year and the situation in the commodity and sales markets. The Supervisory Board was also informed about the sustainability strategy as well as the approach to the mobility turnaround. Finally, a new competency profile was discussed in the light of the changes to the Code. In addition, in light of the Code's recommendation D.10, the Supervisory Board adopted an adapted decision on the Executive Board's participation in meetings of the Supervisory Board at which the auditor participates as an expert.

In conjunction with the meeting in Sweden, the Supervisory Board spent one day outside the meeting schedule to look closely at the strategy for the Europe region. A guided tour of the new plant and a meeting with employees gave the Board an idea of the working atmosphere on the ground. The trip also served as a team-building exercise for the Supervisory Board.

The focus of the meeting on December 9, 2022 was on the 2023 budget, including the investment budget in particular. The Supervisory Board was briefed on the opportunities and risk management and of the findings and recommendations provided by Internal Audit. The Board also discussed the annual compliance report and addressed the preparation for the 2023 Annual General Meeting and it being held as a physical meeting. The Supervisory Board adopted the 2022 declaration of conformity to the German Corporate Governance Code, and decided on adjustments to the Supervisory Board's rules of procedure, including a revised competency profile. In this context, the Board also considered a revised training concept. The new allocation of responsibilities presented by the Executive Board was approved. Based on the recommendations of the Personnel Committee, the Supervisory Board established the performance factor for the Executive Board's variable compensation for the financial year 2022. The Board also decided on the criteria for measuring the performance/sustainability factor for the period from 2023 to 2025, as well as the target total compensation of Executive Board members for 2023 under the compensation scheme approved by the Annual General Meeting on May 4, 2021. An update was given regarding FUCHS LUBRICANTS GERMANY GmbH, the unit in Germany that was merged in June, along with a guided tour of the Mannheim plant. Finally, there was a FUCHS2025 culture update. Part of the meeting was held by the Supervisory Board without the Executive Board.

Overview of members' attendance at each meeting in the financial year 2022

Responsibilities	Members	Attendance/ meetings
Supervisory Board	Dr. Christoph Loos (Chairman since May 3, 2022)	7/7
	Dr. Kurt Bock, until May 3, 2022 (Chairman)	2/2
	Dr. Susanne Fuchs (Deputy Chairwoman)	7/7
	Jens Lehfeldt	7/7
	Ingeborg Neumann (Financial Expert)	7/7
	Cornelia Stahlschmidt	7/7
	Dr. Markus Steilemann, since May 3, 2022 (Financial Expert)	5/5
Audit Committee	Ingeborg Neumann (Chairwoman, Financial Expert)	4/4
	Dr. Susanne Fuchs	4/4
	Dr. Christoph Loos (until May 3, 2022)	2/2
	Dr. Markus Steilemann, since May 3, 2022 (Financial Expert)	2/2
Personnel Committee	Dr. Christoph Loos (Chairman since May 3, 2022)	4/4
	Dr. Kurt Bock, until May 3, 2022 (Chairman)	2/2
	Dr. Susanne Fuchs	4/4
	Ingeborg Neumann	4/4
	Dr. Markus Steilemann, since May 3, 2022	2/2

Work of the committees

The Supervisory Board has three committees: The Audit Committee, the Personnel Committee and the Nomination Committee. The chairmen of the committees reported on the relevant work of the respective committees in the subsequent meeting of the Supervisory Board.

The **Audit Committee** held four meetings in the reporting year. One meeting was held via video conference and three as in-person meetings. The CFO and heads of the Finance and Controlling as well as Accounting departments regularly attended the meetings. The auditor was present at two meetings for individual agenda items. The Committee focused on the annual financial statements of FUCHS PETROLUB SE and the consolidated financial statements alongside the Combined Management Report, the non-financial declaration, the compensation report as well as compliance topics. Other main topics were assessment of the quality of the auditor and a detailed discussion of the Group's Quarterly Statement and Half-year Financial Report prior to their publication. In addition, the Audit Committee together with the auditor defined the key areas of the audit of the financial statements for the reporting year, awarded the audit assignment to the auditor, and addressed the new accounting and reporting regulations.

The **Audit Committee** also dealt with the audit of the accounts, monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, and the audit of the financial statements. The particular focus of the accounting in this context is on the consolidated financial statements, the Group management report including the non-financial declaration, intra-year financial information, and the annual financial statements of FUCHS PETROLUB SE in accordance with the German Commercial Code (HGB). Other topics covered included the EU taxonomy, the results of an assessment of the risk management system, and the timetable for producing the 2022 Annual Report.

Outside of the meetings, the Chair of the Audit Committee held regular exchanges with the auditor on the progress of the audit and reported on this to the Committee.

The **Personnel Committee** advises the Supervisory Board on personnel matters pertaining to the Executive Board and prepares its decisions. Four meetings were held during the reporting year, of which one was held via video conference and three as physical meetings. In its meetings, the Committee specifically addressed the issue of succession planning in light of the changes to the Executive Board in 2022 and 2023. Other topics included Executive Board compensation, determining of the variable compensation for the financial year 2022, the target compensation for 2023, and the criteria for determining the performance/sustainability factor for the period 2023 to 2025. The discussions and recommendations of the Committee formed the basis for corresponding resolutions by the Supervisory Board.

The **Nomination Committee** advises the Supervisory Board on suitable candidates and nominates such candidates for the Board's proposals to the Annual General Meeting for the election of Supervisory Board members. The Nomination Committee did not meet during the financial year 2022.

As a financial expert, Ingeborg Neumann has expertise in accounting and auditing within the meaning of Section 100(5) of the German Stock Corporation Act (AktG) and of recommendation D.3 p. 1 of the Code. As Chair of the Audit Committee, she thus also meets the requirements of recommendation D.3 p. 2 of the Code. Dr. Markus Steilemann is also a financial expert with expertise in the field of accounting within the meaning of Section 100(5) of the German Stock Corporation Act (AktG) and of recommendation D.3 p. 1 of the Code.

Mr. Jens Lehfeldt and Ms. Cornelia Stahlschmidt are the employee representatives on the Supervisory Board.

Audit of annual and consolidated financial statements

As per resolution of the Annual General Meeting of May 3, 2022, the Audit Committee commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Mannheim branch (PwC) to audit the 2022 annual financial statements and consolidated financial statements, including the management report. The auditor submitted and explained its declaration of independence.

PwC audited the financial statements for the financial year 2022 prepared in accordance with the German Commercial Code (HGB), as well as the consolidated financial statements of SE prepared pursuant to the IFRS international accounting standards to be applied in the EU, and the Combined Management Report of FUCHS PETROLUB SE and granted an unqualified auditor's opinion. In doing so, the auditor examined in more detail the key areas of the audit defined for the reporting period by the Audit Committee when engaging the auditor. In particular, the auditor confirmed that the Executive Board had set up a suitable monitoring system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) capable of identifying developments that jeopardize the continued existence of the company at an early stage. During the audit, the auditor did not identify any facts that contradict the Declaration of Compliance with the German Corporate Governance Code published by FUCHS PETROLUB SE in 2022. It also did not identify any reasons for its own exclusion or bias.

The Supervisory Board has examined in detail the annual and consolidated financial statements, the Combined Management Report, the non-financial statement, the report of the Supervisory Board, the Declaration of Corporate Governance, the compensation report and the proposal for the use of profits. The audit reports of the auditor were submitted to all members of the Supervisory Board in good time and were discussed comprehensively in the Audit Committee meeting on March 6, 2023, as well as in the Supervisory Board's balance sheet meeting on the following day. The auditor took part in both meetings.

The auditor reported on the main findings of its audit, and was available to answer additional questions and provide extra information. The Supervisory Board acknowledged and approved the results of the audit. There are no objections made against the reporting by the Executive Board based on the final results of the audit by the Audit Committee or the Supervisory Board's own audit. The Supervisory Board approved the financial statements submitted by the Executive Board and thereby approved the 2022 annual financial statements of FUCHS PETROLUB SE. The Supervisory Board endorsed the Executive Board's proposal for the use of unappropriated profits.

In addition to a formal review with regard to the legally required disclosures, the Audit Committee also commissioned PwC to review the content of the compensation report prepared by the Executive Board and the Supervisory Board in accordance with Section 162 of the German Stock Corporation Act (AktG). The auditor has confirmed in its audit opinion that the compensation report complies in all material respects with the requirements of Section 162 of the German Stock Corporation Act (AktG).

In addition to the statutory audit of the financial statements, PwC also conducted a limited assurance review of the content of the non-financial declaration (nfE) of the FUCHS Group and, on this basis, raised no objections to the nfE reporting and the fulfilment of the legal requirements placed on it.

The Executive Board reported on its relationship to affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG). The external auditors examined the report as ordered, submitted the results of this examination to the Supervisory Board in writing 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 auditor. 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 of the FUCHS Group and the employee representatives for their dedicated commitment, personal contributions and constructive cooperation for the benefits of the company in what has been a year marked by many external difficulties.

Mannheim, March 7, 2023

For the Supervisory Board

Dr. Christoph Loos
Chairman of the Supervisory Board

1.4 FUCHS on the capital market

Ukraine war and interest rate reversal put stock markets under pressure in 2022

Global stock markets were determined by high levels of uncertainty and volatility in 2022. The outbreak of the war in Ukraine, rising energy costs, inflation rates and central bank interest rates had a significantly negative impact on both the German leading index the DAX and the MDAX, in which the FUCHS preference share is listed. After the two indices reached all-time highs last year, 2022 saw them both record double-digit slumps. The DAX and MDAX hit their lows for the year on September 29, 2022, standing at 11,976 and 21,791 points respectively.

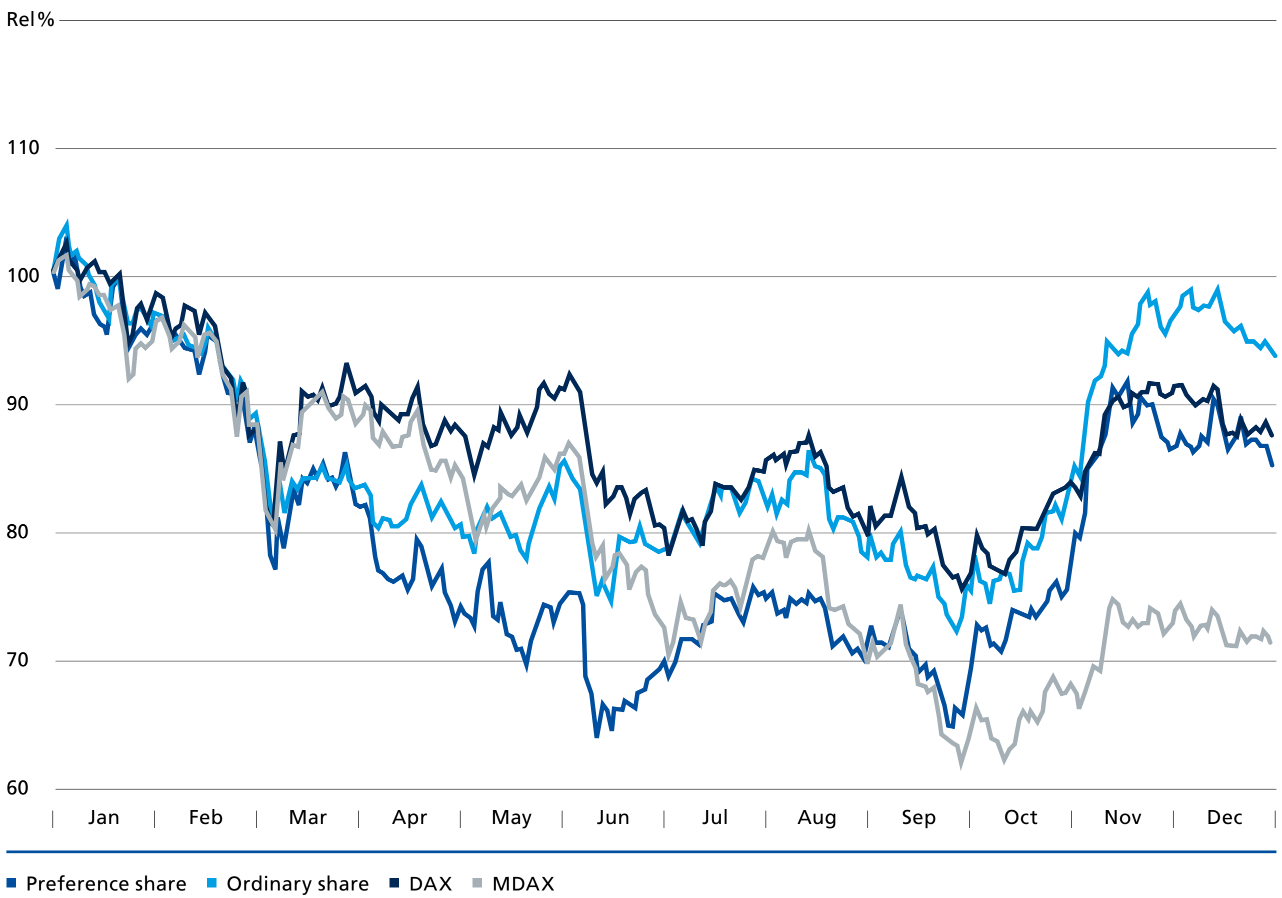
On January 5, 2022, the MDAX reached its annual high of 35,631 points. On the same day, Germany's leading index, the DAX, also recorded its annual and all-time high of 16,272 points. The MDAX year-end closing price of 25,118 points (35,123) was 28.5% lower than the previous year. The DAX closed the year at 13,924 points (15,885), a decrease of 12.3% compared to the previous year's closing price.

Downward trend in FUCHS shares

Both the FUCHS preference and ordinary shares could not elude the negative sentiment in the stock markets, but closed better compared to the MDAX.

Russia's invasion of Ukraine on February 24 pushed international stock markets into a downslide and also caused price losses for FUCHS' two share classes. Sharply rising

Performance* of ordinary and preference shares in comparison with DAX and MDAX
(January 1 – December 31, 2022)



*Price trend including dividends.

commodity costs, strained supply chains and China's zero-Covid strategy also put a strain on the business, resulting in an adjustment to the forecast in the first quarter. The difficult economic environment shaped the share price performance, particularly in the first half of 2022. On June 14, the FUCHS preference share recorded its low for the year at €24.46. The FUCHS ordinary share recorded its low for the year on September 28 at €21.40.

The announcement of the share buyback program, on June 21, 2022, generated positive momentum for both FUCHS share classes in an overall negative stock market. The positive response to the Capital Markets Day, on June 28, 2022, also contributed to this development. The quarterly release, issued on October 28, 2022, confirmed the resilience of FUCHS' business model with its strong results and led to positive price development for both share classes. Despite significant price gains in the second half of the year, neither the FUCHS preference share nor the FUCHS ordinary share managed to reach their annual highs of €41.12 and €32.06 as of January 5, 2022, respectively.

On the last trading day of the year, the FUCHS preference share closed at €32.74 (39.92), down 18.0% year-on-year. Taking the dividend payment into account, the FUCHS preference share posted an annual performance of –15.0%. The ordinary share ended the year at a closing price of €27.80 (30.88), marking a year-on-year decrease of 10.0%. Taking account of the dividend, the FUCHS ordinary share price recorded a decline of 6.1% for the financial year 2022.

Basic information on the FUCHS shares

FUCHS PETROLUB SE has issued two share classes: divided equally between ordinary and preference shares. As the more liquid of the two FUCHS share classes, FUCHS preference shares have been listed on the MDAX, the second largest German stock index, since 2008. Besides listing in the Prime Standard and a free float of more than 10%, the market capitalization of the free float is a criterion for the index membership.

The market capitalization of the FUCHS shares was €4.1 billion (4.9) at the end of 2022. With a weighting of 1.54%, FUCHS thus ranked 26 in the MDAX.

The international significance of the FUCHS preference shares is also reflected in their inclusion in the STOXX Europe 600, which lists the 600 largest companies from 17 European countries.

The ordinary shares of FUCHS PETROLUB SE are included in the DAXplus Family. This index of the German Stock Exchange comprises the companies in the Prime Standard of the Frankfurt Stock Exchange in which the founding families have a significant stake.

Basic share information

	Ordinary share	Preference share
German securities identification number (WKN)	WKN A3E5D5	WKN A3E5D6
ISIN	DE000A3E5D56	DE000A3E5D64
Ticker	FPE	FPE3
Trading segments	Regulated market/Prime Standard	Regulated market/Prime Standard
Trading venues	XETRA and all German regional stock exchanges	XETRA and all German regional stock exchanges
Selected indices	CDAX, DAXplus Family, Classic All Share, Prime All Share	MDAX, CDAX, HDAX, Classic All Share, Prime All Share, DAX International 100, STOXX Europe 600

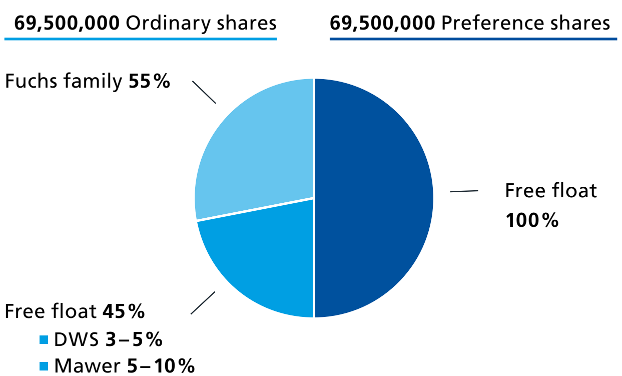
Capital market dialog focused

FUCHS PETROLUB SE is committed to intensive dialog with its shareholders, analysts, and all other capital market participants. The aim is to strengthen trust in our company on a sustained basis. All capital market participants are always informed promptly, transparently, and comprehensively of all major events in the FUCHS Group.

In recent years, the company stepped up its investor relations activities. In 2022, the Chairman of the Executive Board, the Chief Financial Officer, and the Investor Relations team shared information through international conferences and roadshows as well as in numerous one-on-one meetings with institutional investors. After being cancelled for three consecutive years due to the pandemic, a Capital Markets Day for investors and analysts was held once again on June 28, 2022, at FUCHS PETROLUB SE's headquarters in Mannheim. The Executive Board presented an update on the corporate program FUCHS2025, sustainability activities and business opportunities from electromobility. In addition, financial targets for the FUCHS Group were announced.

FUCHS also kept the public regularly informed of current developments through press releases and ad hoc disclosures. The Investor Relations team were also in contact with private investors by phone and by e-mail.

Shareholder structure as of December 31, 2022



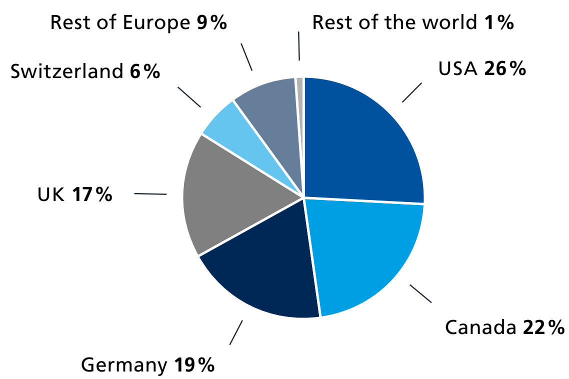
Source: Voting rights disclosures

All corporate information is also available on our website.
→ www.fuchs.com/group/investor-relations/

Share buyback program started

On June 21, 2022, FUCHS PETROLUB SE's Executive Board decided on a share buyback program. Under this program, FUCHS PETROLUB SE intends to acquire up to 6,000,000 shares, including up to 3,000,000 ordinary shares and up to 3,000,000 preference shares of the company, from June 27, 2022 to March 29, 2024 at the latest, at a total purchase price of up to a maximum of €200 million (excluding acquisition incidental costs). The shares purchased will be withdrawn. The share buyback and the planned cancellation of the acquired shares have the effect of reducing the number of ordinary and preference shares outstanding. In addition, FUCHS PETROLUB SE will improve its capital structure. Information on transactions related to the share buyback program is made available on a regular basis on the company's website under Investor Relations.

Regional breakdown of institutional investors



Basis: Identified institutional investors.
Source: Factset

Stable shareholder structure

As at December 31, 2022, FUCHS PETROLUB SE's issued capital of €139 million is divided into 69,500,000 ordinary shares and 69,500,000 preference shares, each with a nominal value of €1.00 per share. At the end of 2022, 55% of the ordinary shares were held by the Fuchs family. The preference shares were entirely in free float. As part of the share buyback program, FUCHS PETROLUB SE repurchased 1,255,771 ordinary shares and 1,055,770 preference shares by December 31, 2022, from which the company has no rights pursuant to Section 71b of the German Stock Corporation Act (AktG).

The notification requirements of Sections 33 et seq. of the German Securities Trading Act (WpHG) relate exclusively to the ordinary shares with voting rights.

On June 15, 2022, we received a voting rights notice from Mawer Investment Management Ltd. stating that it had fallen below the 10% threshold. On December 19, 2022, DWS Investment GmbH reported that it had fallen below the 5% threshold. All previous voting rights notices can be found on our website.
→ www.fuchs.com/group/voting-rights-announcements

Employee shares still in demand

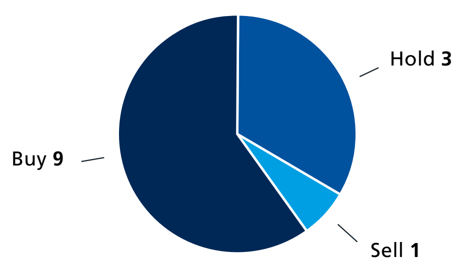
FUCHS PETROLUB SE has been offering employees at the companies in Germany shares at preferential conditions since 1985. In 2022, each employee could purchase a maximum of 30 shares at a discount of €5 per share. 414 (498) employees made use of this opportunity, purchasing 11,923 (14,162) shares in total. The newly acquired shares are subject to a vesting period of one year.

Extensive analyst coverage

FUCHS is monitored and continually assessed by a large number of international financial analysts. As a result of further consolidation of the research business, Hauck Aufhäuser Lampe, Independent Research and Nord LB have discontinued coverage in 2022. Added to this is the coverage by AlsterResearch. At the end of 2022, 13 (15) analysts regularly published their assessment of current developments and the prospects for the company:

- AlsterResearch
- Baader Bank
- Bank of America Merrill Lynch
- Berenberg Bank
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Kepler Cheuvreux
- Landesbank Baden-Württemberg
- ODDO BHF
- Stifel Europe Bank AG
- UBS
- Warburg Research

Analyst recommendations
December 31, 2022



Current information on this can always be found on our website under Investor Relations.

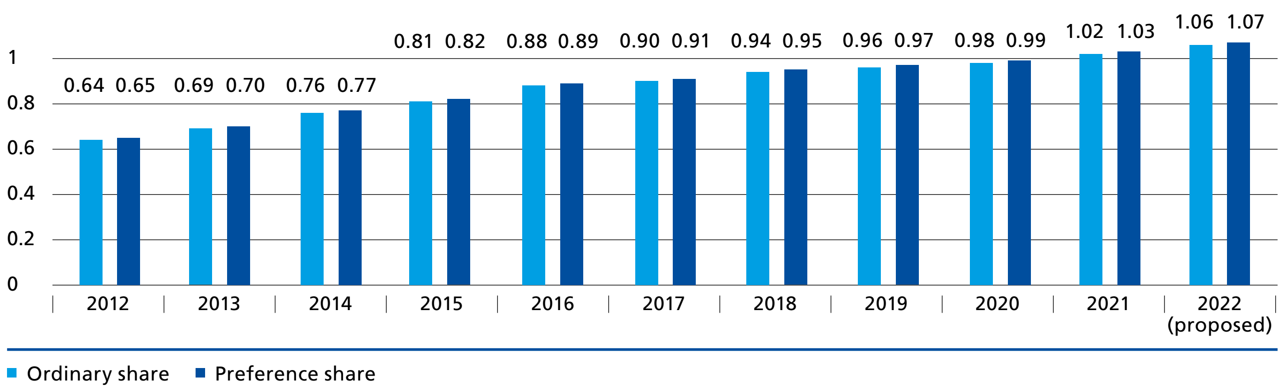
→ www.fuchs.com/group/investor-relations/analysts/

Improved dividend policy

FUCHS PETROLUB SE adjusted its dividend policy in 2022. The original goal of increasing the dividend annually, but at least keeping it stable, has been elevated to an annual increase in the dividend.

The aim is that shareholders should participate in the company's success via an appropriate distribution. Accordingly, the company has continuously increased the dividend for

Dividend development
(in € per share)

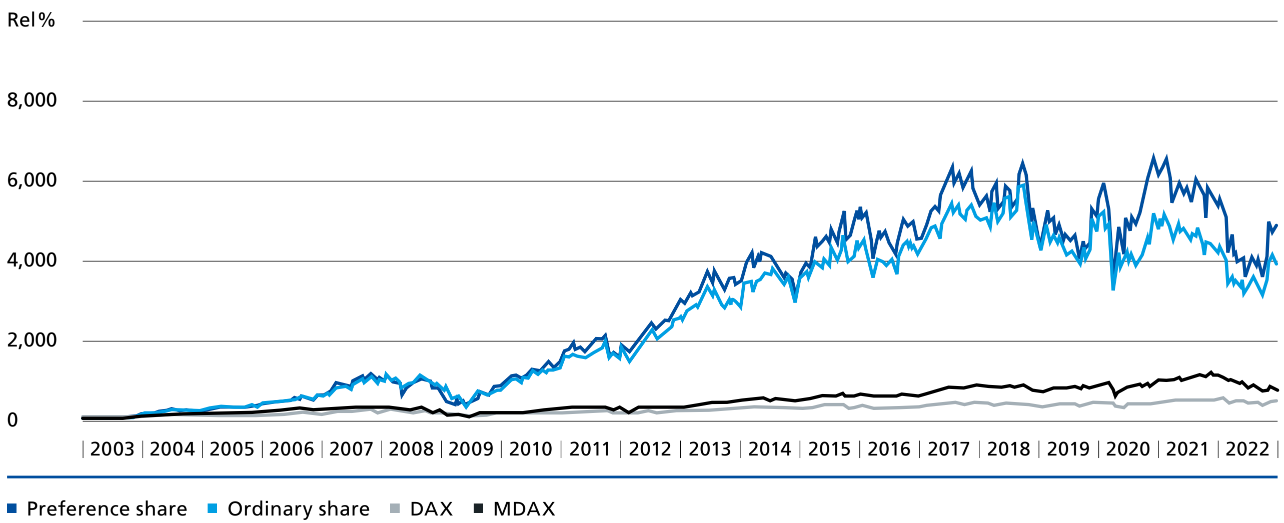


21 years and has not cut it for 30 years. The average dividend increase of the FUCHS preference shares amounted to 4% p. a. in the last ten years, and the absolute dividend increased by 53% in total.

For the financial year 2022, the Executive Board and Supervisory Board propose paying a dividend of €1.06 (1.02) per ordinary share and €1.07 (1.03) per preference share. Taking into account the shares bought back until December 31, 2022, this corresponds to a payout ratio (dividend per share/earnings per share) of 57% (56).

Historical performance

Historical performance* of ordinary and preference shares in comparison with DAX and MDAX
(January 1, 2003 – December 31, 2022)



*Price trend including dividends.

Average annual performance of FUCHS shares and relevant benchmark indices
December 31, 2022

	1 Year	3 Years	5 Years	20 Years
Preference share*	–15.0%	–6.9%	–3.3%	21.2%
Ordinary share*	–6.1%	–8.4%	–4.4%	20.3%
MDAX	–29.2%	–1.4%	3.9%	11.2%
DAX	–13.1%	2.5%	5.3%	8.2%

*Reinvestment of dividends received. Absolute totals may differ due to rounding.
Source: Bloomberg

Key figures for FUCHS shares

	December 31, 2022		December 31, 2021	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of no-par-value shares at €1/shares outstanding	68,244,229	68,444,230	69,500,000	69,500,000
Dividend per share (in €)	1.06[7]	1.07[7]	1.02	1.03
Dividend yield (in %)[1]	4.12	3.44	3.0	2.4
Distribution ratio (in %)[2]	57		56	
Earnings per share (in €)[3]	1.87	1.88	1.82	1.83
Carrying amount per share (in €)[4]	13.5		12.6	
XETRA closing price (in €)	27.80	32.74	30.88	39.92
XETRA highest price (in €)	32.06	41.12	38.40	49.50
XETRA lowest price (in €)	21.40	24.46	30.56	37.96
XETRA average price (in €)	25.71	31.09	33.99	42.72
Average daily turnover XETRA and Frankfurt				
Shares	31,043	117,616	16,994	121,790
€ thousand	800	3,657	578	5,203
Market capitalization (in € million)[5]	4,138		4,921	
Price-to-earnings ratio[6]	14	17	19	23

[1] Dividend/average share price × 100.
[2] Dividend per share/earnings per share.
[3] Earnings of FUCHS PETROLUB SE shareholders/average number of shares.
[4] Equity of FUCHS PETROLUB SE shareholders/average number of shares.
[5] Stock exchange values at the end of the year × shares outstanding.
[6] Average share price/earnings per share.
[7] In line with the proposal for the appropriation of profits by the Executive Board and Supervisory Board, subject to the approval of the Annual General meeting on May 3, 2023.

Shareholder service

If you would like to receive regular updates about our company, please register with the investor mailing list on our website. We will keep you continuously updated about current developments in the Group and send you all the publications that we issue. → www.fuchs.com/group/investor-relations/service-contact/order-form

We are also happy to answer your questions about FUCHS shares and other capital market-relevant topics in person:

Telephone +49 621 3802 1105
Fax +49 621 3802 7274
E-mail ir@fuchs.com

Combined Management Report

100 % focus on highly efficient lubricant solutions and functional fluids

€ 500 million

EBIT until 2025
Long-term EBIT margin ~ 15 %

CO_2-neutral

CO_2-neutrality "cradle-to-gate" until 2025, Net Zero until 2040

2

Combined Management Report

The figures in parentheses refer to the same period of the previous year. Percentages refer to full millions.

2.1 Corporate profile

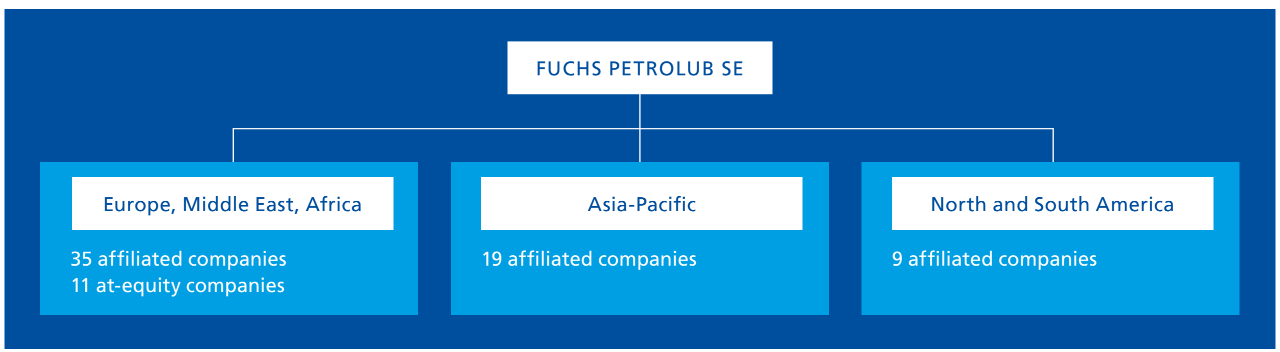
Business model

LUBRICANTS.
Our focus is 100% on highly efficient lubricant solutions and functional fluids. On production, development and sales. And on excellent services. This clear focus is what defines us. Our products are all-in-one-solutions that perfectly suit our customer's demands. Always reacting flexibly and quickly to challenges in different application areas, we meet a wide range of national and international standards.

Our broad product range comprises more than 10,000 products and can roughly be divided into automotive and industrial lubricants. In a heavily fragmented market, we are a leading supplier of full-line solutions of global scope. We cover nearly every sector and accompany customers at every step of their product cycle. All around the globe.

TECHNOLOGY. Holistic solutions
Technologically advanced, process-oriented and holistic lubricant solutions are key success factors for FUCHS – milestones along our way to becoming a high-tech company. About 10% of our employees are assigned to research and development work, supported by a worldwide network of specialists. Our intelligent solutions are tailor-made and customer-specific: whether it be a single product, service, or digital solution – or the whole package. They reduce wear and friction, and sometimes even improve the overall manufacturing process. Take for example our 360-degree project support, digital lubricant monitoring, or sustainable supply procedures. Our leadership in technology is extending in strategically important areas like digitalization, future mobility, and sustainability. We focus on the efficiency, safety and sustainability of our lubricants along the entire process and value chain.

Group structure



PEOPLE. Personal commitment
With over 6,100 employees worldwide, we keep moving your world. Our high understanding of industries, procedures, and problems makes us team partners, solution finders and problem solvers for our customers. Innovative ideas and positive spirit help us fulfill our purpose: *MOVING YOUR WORLD.*

Global customer service through internationality and scale

FUCHS' business success is based on our global presence and our extensive product and customer portfolio:

We are where our customers are. As of the end of the reporting period, out of our 56 operating subsidiaries and our eleven companies consolidated at equity, 41 were active in the Europe, Middle East, Africa (EMEA) region, eight in the Americas, and 18 in the Asia-Pacific region. This broad geographical structure allows FUCHS to serve global customers worldwide while also offering local customers tailor-made solutions directly on site.

With more than 10,000 products, FUCHS not only ensures that the increasing specialization requirements of mature markets are met, but also plays its part in the growth of developing markets.

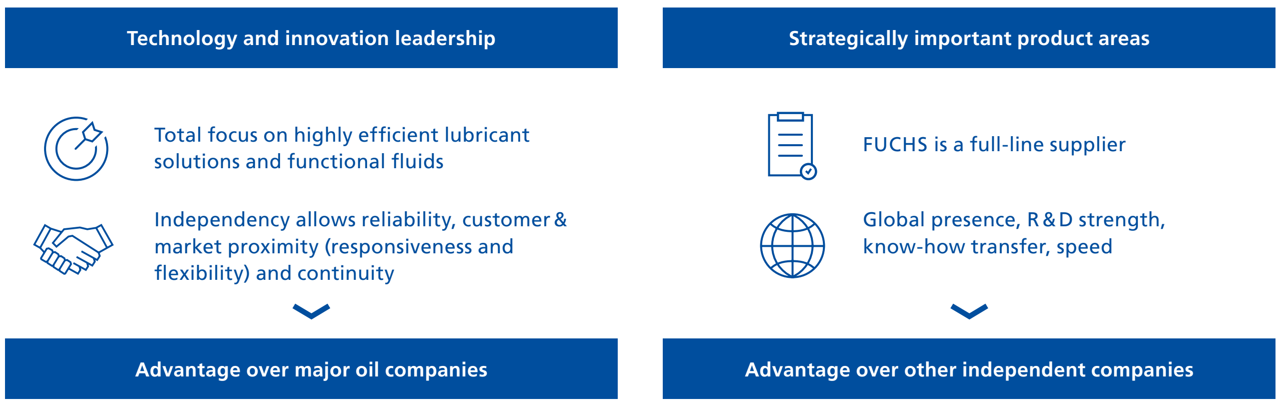
The diversification across regions and industries helps to balance economic and sector-specific cycles.

Simple Group structure with largely decentralized management

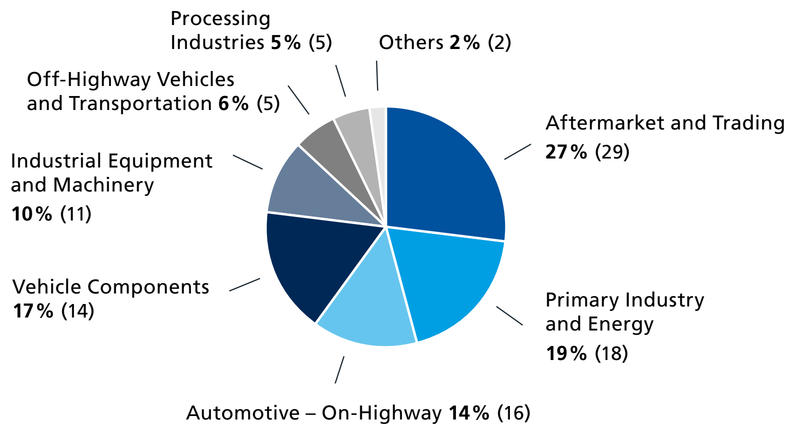
FUCHS' Group structure has been kept intentionally simple. FUCHS generally holds 100% of shares in all of its subsidiaries directly or indirectly. Exceptions to this are the joint ventures and associates in Africa, the Middle East, Saudi Arabia, and Türkiye.

The companies are organized into the three geographical regions of EMEA, Asia-Pacific, and North and South America, which is reflected in the management and reporting system. Business is generally managed by the local subsidiaries and the regional managers in charge of them. In addition, local managers are increasingly included in our global excellence networks. Experience and knowledge are exchanged within these networks. Common solutions for current challenges and issues are developed across national and company borders.

Competitive advantage based on our unique business model



Breakdown of Group sales revenues by customer sector



Group strategy

FUCHS2025

New way of thinking for future challenges

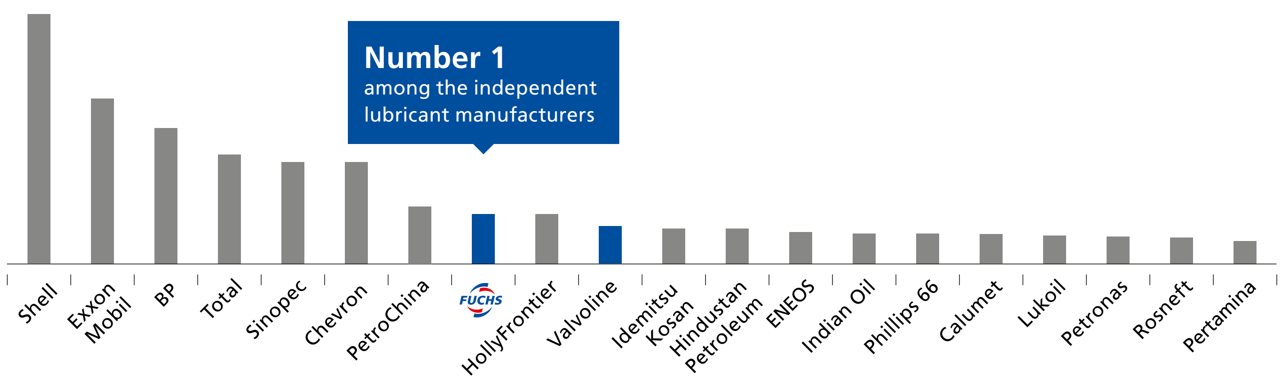
Digitalization, electric mobility, globalized customer requirements and sustainable products and solutions – FUCHS operates in a highly dynamic world full of new challenges. We see these challenges as opportunities to shape our future and continue to achieve success. To this end, we have been working on our strategy and transformation program FUCHS2025 since mid-2019, and published the cornerstones of this program in July 2020.

In 2021 and 2022, our focus was on translating the Group's strategy into local, regional and market segment-based business strategies, in particular, as well as developing global strategic initiatives and translating them into real projects. Segment-based market processing will make a crucial contribution to the Group's future growth and is a core element of the FUCHS2025 strategy.

To steer strategic implementation, we have defined a catalogue of strategic metrics to help us continuously evaluate and align our strategic focus.

In 2022, we also formulated a far-reaching digital strategy within the Group's strategic framework. We are currently working on an expansion of our sustainability strategy to

Ranking of top 20 lubricant manufacturers



■ Independent lubricant manufacturers ■ Major oil companies

Market data 2022

Global Strength

- Use segmentation as a basis for strategic and global business development and align the organization accordingly
- Generate above-average growth in Asia-Pacific and North and South America, thereby achieving a balance between our regions
- Enhance brand appeal by 2025 with strong, differentiated positioning and clear brand architecture in all relevant FUCHS segments

Operational Excellence

- Establish a global production and sales network; independent supply and technology centers in the three global regions by 2025
- Further standardize production and procurement processes, equipment, and output in order to improve efficiency in the supply chain
- Establish data transparency on the basis of global structures and harmonization of systems

Customer and Market Focus

- Establish the greatest possible proximity to customers – strengthen the principle of "one face to the customer" and take advantage of cross-selling opportunities: become the full-line supplier for our customers
- Increase our market share in order to take a leading position in our target segments
- Develop a global service portfolio by 2025 – from a product-oriented to a solution-oriented approach
- Systematically introduce new business models in the broader lubricant environment

People and Organization

- Be the preferred employer for existing and future employees
- Optimize working conditions and promote global cooperation
- Further improve development programs, skills models, and succession planning; strengthen global recruitment and retention of talented employees
- Promote the internationalization of business units, remote leadership, international job changes, etc.

Technology Leader

- Encourage innovation-oriented thinking and strengthen our innovative capabilities. Strengthen/establish our technology leadership in all defined target segments
- Introduce digital solutions and platforms to establish even closer connections with our customers beyond lubricants
- Bring skills and expertise at the three R&D centers in China, the US, and Germany to the same level by 2025

Sustainability

- Economic sustainability: Annual growth in sales revenues in the mid-single-digit percentage range; €500 million EBIT by 2025 and a long-term EBIT margin of around 15% at Group level; an average cash conversion rate of 0.8 and an annual increase in the dividend
- Environmental sustainability: CO_2-neutral "gate-to-gate" production since 2020, CO_2-neutral "cradle-to-gate" products by 2025. Climate neutrality is to be achieved by 2040; support other projects for environmental sustainability
- Social sustainability: Support projects in the field of corporate social responsibility

underpin our goal of climate neutrality by 2040. For FUCHS, the two domains of digitalization and sustainability are core themes of the future.

In 2023, we will continue to consistently implement our defined strategic initiatives and projects on both a global and local basis.

Culture, structure, and strategy. The framework for FUCHS2025 consists of the three dimensions of culture, structure, and strategy. Concepts and content for these have been developed in collaboration with our employees.

Being First Choice. With the "Being First Choice" vision, we are reinforcing and expressing our sharpened focus. Building on our strengths, we want to be first choice worldwide: for customers, employees, and investors.

Six strategic pillars. Our FUCHS2025 strategy is based on six strategic pillars. These serve as guidance for our strategic actions in order to fulfill our "Being First Choice" vision for 2025. Within each pillar, we have defined specific goals and measures.

Implementation. To take full advantage of the potential of our objectives, we focus on two main elements when it comes to implementation. Firstly, we have staffed the Group-wide topic areas as strategic initiatives with global, cross-functional teams. In this way, we ensure that cultural, specialist, and market-specific viewpoints are incorporated in the implementation of the objectives. Secondly, we follow a holistic market segmentation approach that maps the development and implementation of the strategy in customer- and market-relevant activities. Along with the development of a segment-oriented organizational structure, we are increasingly focusing on innovation, service solutions, and new market prospects.

Increase in company value

With FUCHS2025, FUCHS is continuing to pursue the objective of continually increasing the company value. We create value for our customers, employees and shareholders. Securing and strengthening our market position in mature markets and sustainably expanding our market position in emerging markets form the basis for this. The conditions for achieving these goals are created through organic growth and – insofar as prudent and possible – external growth, as well as through activities to secure the technological leadership of the FUCHS Group.

Independent lubricant manufacturer

Maintaining the independence of FUCHS PETROLUB SE remains a factor of particular strategic importance. Our independence enables us to focus on lubricants and related specialties in an efficient environment, while providing scope to further increase company value. It is based, firstly, on the Fuchs family as an anchor shareholder and, secondly, on stable financial support, which allows a sustainable dividend policy and also creates scope for acquisitions.

Controlling system

Four key performance indicators

The Executive Board manages FUCHS on the basis of various financial performance indicators. The most important of these key performance indicators (KPIs) is the FUCHS Value Added (FVA). It is characterized by the strategic objective and combines profit with capital employed. In addition, other key performance indicators are regularly reported to the Executive Board and the Supervisory Board. These key performance indicators are also incorporated into the external financial reporting system of FUCHS and are used for general communication with all stakeholders. The following section describes the four most significant performance indicators in more detail. These are unchanged compared with the previous year and were complemented by the financial targets published in 2022.

Sales growth

FUCHS targets annual growth in sales revenues in the mid-single-digit percentage range. We use organic growth as a key indicator to manage the growth of our sales revenues. Organic growth is growth in sales revenues adjusted for currency translation and portfolio effects. Portfolio changes resulting from investments are described as external growth. We use organic growth as a key performance indicator both for the entire Group and at the level of the regions.

Profitability
Earnings before interest and tax (EBIT) is our central benchmark for managing profitability at Group level. We use EBIT to assess the profitability of the entire Group and the individual segments. This is a KPI commonly used to measure the operating performance of companies that is not affected by financing or tax effects. EBIT is a component in the calculation of the FVA, the target factor for the variable compensation of the management and the Executive Board. FUCHS aims to achieve an EBIT of €500 million by 2025 and an EBIT margin of around 15 % in the long term.

Liquidity
FUCHS uses free cash flow before acquisitions as the key liquidity indicator for the entire Group. Free cash flow before acquisitions is defined as cash flow from operating activities, net of capital expenditure on intangible assets and property, plant and equipment. It indicates the scope of available financial resources, particularly for acquisitions, for dividend payments, for increasing cash and cash equivalents and for the settlement of financial liabilities. Free cash flow before acquisitions as an important key liquidity indicator provides the basis for a large number of management decisions. In order to measure the ability to convert the inflow of funds from the net income into cash, FUCHS also decided in the reporting year to introduce the cash conversion rate as a further liquidity indicator. This is defined as the ratio of free cash flow before acquisitions to earnings after tax. The aim is to achieve an average cash conversion rate of 0.8.

FUCHS Value Added as central key performance indicator
The central KPI for the Group is FVA, which takes into account not only earnings but also capital employed. EBIT is the relevant profit indicator. Capital employed is reflected in the net assets and financial position. Value is only added when the recorded earnings are higher than the costs of the capital employed.

Capital expenditure is largely influenced by investments in property, plant and equipment, capital expenditure on intangible assets, as well as by the changes in net operating working capital (NOWC). Property, plant and equipment is managed on the basis of investment appraisals, while NOWC is monitored through the targeted management of its components (inventories, trade receivables and trade payables, advance payments received and liabilities from customer discounts).

The average capital employed for a financial year is determined on the basis of the Group's interest-bearing financial resources and is calculated as an average of the parameters of the portfolio at five quarterly figures, starting from December 31 of the previous year:

Shareholders' equity + Net pension provisions + Financial liabilities − Cash and cash equivalents + Goodwill amortization from previous years (until 2004: €85 million) = Capital employed

To calculate the costs of capital employed, the weighted average cost of capital (WACC), which is determined on the basis of the capital asset pricing model (CAPM), is used.

The level of WACC is reviewed annually on the basis of up-to-date capital market data as of the end of the reporting period.

The summarized performance indicator FVA therefore shows the successes in earnings management and in managing the use of capital:

FVA = EBIT − Capital employed × Weighted average cost of capital (WACC)

Variable compensation for local, regional and global management is based on FVA. Entitlements to variable compensation are only granted when positive added value has been generated in the respective financial year.

Budget monitoring as part of the control system
The instruments for the operational management of the companies include a detailed system that monitors any deviation between target and actual figures in the budget.

In the course of the annual budgeting process, goals are defined for companies and regions in terms of growth and EBIT on the basis of gross margins and changes in other operating and staff costs. A monthly target/actual comparison ensures that compliance with the budget is continuously monitored. When targets are not reached, the causes are immediately investigated and countermeasures introduced.

Research and development

Continual expansion of activities

In the 2022 reporting year, the intensity of FUCHS' R&D work matched that of the previous year, with over 600 projects (600). With 574 (576) employees and R&D expenses of €69 million (59), FUCHS is continuing its efforts to establish and extend its technological lead in strategically important areas and promote innovation.

In the past reporting year, we have consistently worked to implement the FUCHS2025 strategy and have continued to drive the expansion of our R&D centers in Europe, Asia, and North and South America. With a view to increasing our innovation capability, we have also participated in various consortia in the past financial year, worked together with universities on various topics and evaluated emerging technologies.

Even though the reporting year was again greatly affected by limited availability of raw materials, we successfully developed numerous new products, thus underlining our claim to technology leadership:

- ECOCOOL LCF 1515 is a new cooling lubricant developed on a re-refining basis and excluding boron-containing additives. Through consistent product performance, we offer our customers to use a modern, label-free refrigeration lubricant that is largely based on the principle of the circular economy.
- Using renewable raw materials, with ECOCUT MICRO LCF 20 we have succeeded in developing a sustainable minimum-volume lubricant for metalworking that offers significantly improved sustainability while maintaining the technical requirements profile.
- GLEITMO 850 ST represents the further development of our premium product GLEITMO 585K. It is used for blade bearing and azimuth lubrication. The lubricant has been designed to provide the best possible performance in pitch regulation. The innovative lubricant provides excellent support for the increasing demands of modern and durable wind turbines.

We have steadily expanded our FUCHS BluEV product portfolio, constantly enlarging our range for our customers in the field of e-mobility:

- The FUCHS BluEV EG EDF 7727 was specifically designed for a customer's new electric mobility platform. The aim was to be able to cover a wide range of technical requirements with this fluid. In addition to the direct cooling of the power electronics and the electric motor, excellent lubrication of the differential is ensured at the same time. FUCHS BluEV EG EDF 7727 offers high-level efficiency due to its low viscosity. This is coupled with good toothing protection and good friction performance in the additional clutch in use.
- With FUCHS BluEV TF 8016, we have been able to develop a 100% biodegradable high-performance thermo fluid at our R&D hub in Shanghai, which is used for cooling in fast-charging columns for electric vehicles. In addition to its biodegradability, the product stands out due to its excellent material compatibility, as well as its dielectric and thermal properties.
- FUCHS BluEV EMG SP2 has been specially developed for ball bearings of electric motors in the powertrain of cars. The grease possesses exceptional thermal stability, has a long service life, and is suitable for high-speed applications. It can also be used across a wide range of temperatures, helping to reduce noise in applications.

We have also intensified our activities in the area of digital solutions.

The newly created FUCHS Smart Services product line is the home and brand face for holistic solutions that measurably enhance the availability and efficiency of customer equipment and significantly increase the contribution to sustainability.

To better support the lubrication processes of FUCHS customers, FluidsConnect now has numerous new functions and a smartphone app.

Investments were also made in the development of "Man-on-Site", an innovative, cloud-based tool for monitoring lubrication points on vehicles in surface mining. This digital, intelligent solution drastically reduces vehicle failures and optimizes the use of lubricants.

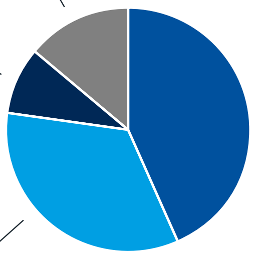
The FUCHS solution ecosystem is growing apace. Last year was used to develop more innovative solutions that can now be deployed in the various target markets and industries.

Sustainability and environmental awareness have been key topics of research and development at FUCHS for many years. For this reason, not only have we been working on relevant projects now for several years, we are also engaged in these areas internationally as part of UEIL, the Union of the European Lubricants Industry, to establish an industry-recognized and transparent method of calculating the carbon footprint for our industry.

Employees

As of December 31, 2022, the FUCHS Group had 6,104 (5,976) employees, 128 of whom were trainees. The total workforce increased compared with the previous year, by 128 people, or 2.1 %.

Functional workforce structure *



* Excluding 128 (135) Trainees

Compared with the reporting date of the previous year, the number of employees, including trainees, in the EMEA region (Europe, Middle East, Africa) increased by 45 (+ 1.2 %), in the Asia-Pacific region by 39 (+ 4.1 %), and by 35 (+ 3.4 %) in North and South America.

Geographical staff structure

	Dec 31, 2022	in %	Dec 31, 2021	in %
EMEA	3,905	64	3,860	65
Asia-Pacific	983	16	944	16
North and South America	1,063	17	1,028	17
Holdings	153	3	144	2
Total	**6,104**	**100**	**5,976**	**100**
thereof Germany	1,727	28	1,713	29

Cooperation in a globalized environment

In line with our "ACT GLOBAL" goal as part of the FUCHS2025 strategy, we worked consistently throughout the year to achieve our goals and completed numerous milestones, particularly in the area of corporate culture, within the timetable up to 2025. In particular, cross-border interaction between employees through the use of collaborative tools increased further. Even larger projects, trainings and workshops are increasingly taking place virtually or as hybrid events, so "ACT GLOBAL" has become embedded in the day-to-day practice of employees. The resulting simplified collaboration in international, diverse teams enables ideas and projects to be jointly looked at and worked on from different perspectives.

Managers, while maintaining our leadership principles, leadership behaviors, and the FUCHS mission statement, are increasingly assuming the role of interface managers between specialist departments and business units. In terms of our matrix structure, managers are also required to act in a more networked and interdisciplinary way. This allows them to be role models in implementing “ACT GLOBAL”.

Besides the target-oriented development of communication structures across borders, the focus is on making communication free from hierarchies and open. An open feedback culture plays an important role here. Various formats have been created, such as a dialogue box or breakfast with the Executive Board or senior management, to promote a culture of feedback.

Managers are required to be role models in terms of “ACT GLOBAL”, making their own personal contribution to the overall success of the company. The portfolio of management tasks also includes shaping and developing the corporate culture. It is important here to involve employees worldwide and to align cooperation to the challenges of the future. The transformation of the Group and the work environment makes the managers’ work more challenging. A worldwide train-the-trainer concept has been rolled out to ensure a consistent approach to managing the many changes. By training in-house trainers, we succeed increasingly in implementing uniform standards for the role of managers as active promoters of change and designers of a collective sustainable work environment.

Digitalization in the working world

Constantly evolving digitalization offers a variety of opportunities to promote agile work in a global business. Our focus is on the ongoing design and development of digitalized operating processes and workflows in integrated system landscapes to make task processing more efficient and, as a result, to create more time for essential interdisciplinary collaboration.

In 2022, we continued to supplement and enhance the digitalization of HR processes with additional elements. Among other things, performance management was fully rolled out, the digitalization of structured succession planning and global talent management was set up, and digital competency management was introduced. Employees benefit from the resulting increased transparency, engagement, and availability.

Further strengthening the employer brand

In 2022, the redesign of the employer brand was also finalized as part of the FUCHS2025 HR initiative “Talent Acquisition, Talent Development and Employee Loyalty”. The basis was a market analysis and a survey of representative groups of employees by a global and interdisciplinary project group. The global branding concept has been visually implemented in coordination with the new brand positioning, *“MOVING YOUR WORLD”*. The core elements of the employer brand were identified and appropriate messages and graphic concepts developed for target audience outreach. The aim is to ensure a globally consistent presentation of the employer brand.

Collaboration with colleges and universities continued, to promote FUCHS as an attractive employer for students, graduates and young scientists. As a potential employer, FUCHS was able to engage and exchange with numerous interested parties through trade show appearances and virtual contacts with students from colleges and universities. New collaborations have also been established occasionally. The awarding of scholarships continues to encourage contacts in fields of interest and universities. We pay particular attention to the training of a continuous number of dual trainees and students of Baden-Wuerttemberg Cooperative State University (DHBW) at our German locations.

Attracting qualified specialists is still a particular challenge on all labor markets, and especially in Europe, India, China and the US. The general environment and conditions made it more difficult to attract skilled personnel due to greater competition and the increased need generally for skilled personnel. New ways of addressing talents in the recruitment market, such as social media recruitment or active sourcing, are being gradually expanded. In addition, a "Preferred Supplier Concept" for working with sustainable human resources consultants has already been implemented for some locations as part of the "Recruitment Channels" global project. By providing comprehensive information and communicating the core ideas of the FUCHS2025 strategy, the consultants were able to better communicate the image of FUCHS to interested professionals in the market. This formed the specific focus of two projects under the global HR initiative for FUCHS2025. On the one hand, the appropriate channels for reaching out to candidates were redefined globally. On the other hand, we globally re-engineered the entire recruitment process, to assess whether candidates fit the mindset, values and motivation of FUCHS employees. There is now also greater emphasis here on standardized procedures for assessing the skills of applicants. Through our regional HR managers, these modern recruitment channels and suitable selection instruments can also help smaller sites that do not have their own HR department. Our goal remains unchanged: to find the best talents in the respective areas of expertise and to inspire them to join FUCHS. The redesigned global talent program aims to position FUCHS as an employer with global development opportunities within the Group. At the same time, we want to focus not just on specialist expertise, but also on hiring employees with the right, forward-looking attitude and matching behavior. The project to implement a globally binding behavior-based competency model, undertaken as part of the strategic HR initiative FUCHS2025, was rolled out to the production area in 2022. This now ensures that production employees can also assess which behaviors are conducive to achieving the goals of FUCHS2025. The filling of positions with employees from their own ranks is also of particular importance. Accordingly, in the course of the Group's continued expansion, attention was once again focused on promoting employees from within the company to new attractive positions with a global profile in 2022. This also allowed positions that had become vacant due to staff retiring, for example, to be filled by internal candidates.

Training

As of December 31, 2022, a total of 82 (86) young people at our German subsidiaries were on dual training programs. 29 trainees and dual training program students completed their training in the reporting year.

We provide training in different commercial and technical professions. We also offer goal-oriented and qualified high school graduates the opportunity to attend a dual study program, which leads to a bachelor's degree, in cooperation with the DHBW.

Dual study programs are a key building block for junior staff development at FUCHS. In addition to the various training courses and DHBW study programs, we also offer involvement in cross-group, international projects. Many of our current top performers are former FUCHS students, trainees and interns. Many management positions throughout the Group have now been filled by our former students.

2.2 Macroeconomic and sector-specific conditions

Global economy in 2022 burdened by war in Ukraine as well as inflation and increasing interest rate levels

Development of gross domestic product

in %	Actual 2021	Actual 2022	Forecast 2023
Germany	2.6	1.9	0.1
Eurozone	5.3	3.5	0.7
USA	5.9	2.0	1.4
China	8.4	3.0	5.2
Highly developed countries	5.4	2.7	1.2
Developing and emerging countries	6.7	3.9	4.0
World	**6.2**	**3.4**	**2.9**

Source: International Monetary Fund (IMF)

- The far-reaching consequences of Russia's war of aggression in Ukraine and China's strict Covid-19 lockdowns led to a severe downturn in global economic development in 2022. Disruption of global supply chains continued and the prices of energy, raw materials, intermediate products and food rose, in some cases abruptly and on a dramatic scale. A further economic slowdown is expected in 2023, particularly in the major industrialized countries, due to the extremely high-level political risks.
- Led by the U.S. Fed, nearly all central banks raised key interest rates faster and more sharply than previously expected in order to contain the rise in inflation that developed during the year, including the European Central Bank.
- The economies in Europe and Germany were stalled in 2022 by Russia's war of aggression in Ukraine and the impending energy crisis. At the end of 2022, the eurozone was on the verge of recession. Nevertheless, industrial production has developed robustly, supported by high order backlogs. For 2023, very weak growth at best is projected for the eurozone, with inflation remaining high.
- China's economic growth has weakened dramatically under the pressure of its strict zero-Covid policy. The crisis in the real-estate market could not be overcome and industrial production went into decline. Over the course of 2023, following a relaxation of the Covid policy in China, a resulting gradual recovery of the Chinese economy is predicted.
- Economic growth in the US slowed in the second half of 2022 as a result of high inflation and significant interest rate increases. Nevertheless, overall industrial production increased and capacity utilization improved. For 2023, the US economy faces weak development due to interest-related cuts in private consumption and construction.

Challenging 2022 for auto industry, robust production uptick possible in 2023

2022 was another very challenging year for the automotive industry due to ongoing disruption of supply chains and exploding material costs. According to S&P Global Mobility global sales fell 1.3 % to 79.2 million light vehicles (LVs, passenger cars and light trucks) despite increases in China. In particular, sales in the US and Europe declined. The boom in electric vehicles continued. Estimates put sales of all-electric and hybrid vehicles at almost 14 million, a rise of 47 % year-on-year. Overall, production was supported by high order backlogs and benefited from a low prior-year comparison base resulting from the drastic supply shortage in semiconductors in 2021. Global production of passenger cars and light trucks therefore increased by about 6.0 % to 81.8 million vehicles in 2022. In Germany, according to the VDA, passenger car production even increased by just under 11 %.

For 2023, despite the economic downturn and higher interest rates, a global recovery in the automotive market is expected to transpire. The supply chain problems will gradually be overcome, enabling what is still a high level of current pre-orders to be handled better. New orders, in contrast, have recently fallen sharply. Electric cars will presumably continue their rise in 2023 and gain market share. According to S&P Global Mobility, global passenger car and light truck sales are expected to grow by 5.6 % in 2023, with positive trend reversals in Europe and the US. The global increase in production is set to reach 4.0 %, or

85.0 million vehicles. This will include expected production increases of around 6% for Europe and Germany.

Development of automotive sales (passenger cars and light trucks)

in %	Actual 2021	Actual 2022	Forecast 2023
Germany	–10.1	1.1	2.0
Europe	–1.5	–4.1	5.0
China	–1.0	3.6	4.5
USA	4.1	–8.6	7.0
World	**2.9**	**–1.3**	**5.6**

Sources: S&P Global Mobility, German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), European Automobile Manufacturers Association (ACEA)

Engineering boom halted in 2022, outlook for 2023 gloomy

In 2022, the previously strong upturn in mechanical engineering was noticeably dampened by numerous negative influences such as the Ukraine war, inflation, and the interest rate reversal. However, industrial production remained relatively robust and the investment trend was structurally stimulated by the acceleration of digitalization and the energy transition. It wasn't until late 2022 that new orders slumped, but order backlogs were still at high levels. According to the industry association VDMA, real engineering revenues grew slightly by 3% worldwide. In line with this, developments in Latin America and North America, the Middle East, Türkiye, the Netherlands and Switzerland were positive. Conversely, industry revenue dropped by 10% in the United Kingdom and by 4% in France. In Germany, real engineering revenue stagnated. Nevertheless, according to the VDMA the production figures of the German engineering industry were slightly up, growing by 1% in real terms following the 6.5% increase in the previous year.

The numerous pressures resulting from the global economic downturn, with a largely tight monetary policy as well as high geopolitical uncertainty, continue to cloud the outlook for manufacturers of capital goods in 2023. The VDMA expects engineering sales revenues, supported by China's recovery, to increase only minimally worldwide. In the Middle East, South Korea and Japan, real industry turnover is expected to increase slightly in 2023. However, for the Western industrialized countries, Türkiye and Brazil, stagnation is looming. We expect real revenues to decrease in important major industrialized countries. In terms of output for this industry in Germany, the VDMA expects a real decline of 2% in 2023.

Engineering sales revenue performance

in %	Actual 2021	Actual 2022	Forecast 2023
Germany	6.0	0.0	–3.0
Eurozone	11.0	3.0	–2.0
China	13.0	2.0	3.0
USA	12.0	3.0	–2.0
World	**13.0**	**3.0**	**1.0**

Source: VDMA

Steel industry in 2022 slumped further, stabilization possible in 2023 despite high risks

The global steel industry did not continue its recovery in 2022. As a result of the war in Ukraine, high inflation, higher interest rates and weak growth in China, crude steel production worldwide shrank by 4.2%.

In addition to the weakening performance of the construction sector, a burdening effect also came from the lack of momentum in mechanical engineering. This meant that steel production fell particularly sharply in Europe and Türkiye. Japan, South Korea, the US and Brazil also produced about 6–8% less steel each in 2022 than in the previous year. China's steel production, which accounts for 54% of the world market, declined moderately in comparison, falling by 2.1%. India proved the biggest exception in the weak steel market, with its steel production up 5.5%.

According to the industry association WSA, the global development within the steel industry in 2023 will remain largely dependent on further developments in interest rates and inflation. In Europe, the course of the Ukrainian war and the availability of natural gas and oil will be the main influential factors. Demand from the construction industry is expected to remain weak, especially in residential and commercial construction, but positive momentum will come from investment in infrastructure. While demand for steel is expected to stagnate in China and South Korea, the decline in demand for steel in the EU, especially for the major markets of Germany and Italy, is expected to continue in 2023. Regionally, the steel sector's performance will be aided by the recovery in India, estimated to be 6.7%, robust growth in Türkiye and Brazil, and slightly higher steel demand in the US and Japan. Overall, the ESC expects a slight increase in global steel demand of 1.0% in 2023.

Development of crude steel production

in %	Actual 2021	Actual 2022	Forecast 2023
Germany	12.3	–8.4	–3.9
Europe (EU) + United Kingdom	15.4	–10.5	–1.3
Asia	0.6	–2.3	1.2
North America	16.6	–5.5	1.8
World	**3.7**	**–4.2**	**1.0**

Source: World Steel Association (WSA). Forecast for 2023 based on demand for steel

Chemical industry under massive commodity pressure in 2022, no trend reversal apparent for 2023

The chemical industry's boom, driven by high demand, was hit by the Russian war of aggression in Ukraine in early 2022. In particular, the sharp increase in costs of energy and intermediate products put a strain on chemical production and caused a certain level of disruption to operations. Over the course of the year, pressure on production increased, leading to a significant downturn in Germany in particular. Energy-intensive industry segments such as petrochemicals and polymers were particularly affected. While chemical production shrank in 2022 in Germany, Japan, South Korea and India, producers in other EU countries, the US, and China saw slight increases. Overall, world chemical production increased moderately, by 2.7%, in 2022, but without the pharmaceutical industry this increase was only 1.9%.

Since autumn 2022, a trend reversal has been noticeable. Production cuts are causing disruptions and shortages in the chemical value chain, orders are declining in real terms, and sales are falling. Cost increases can only be passed on to a limited extent, hitting the earnings of the chemical industry. At the same time, as global economic momentum remains out of the picture and the risks remain high, the lowest point will still be to come even beyond 2023, according to the industry association VCI. Globally, overall chemical production is expected to remain weak, with China and the US stabilizing the industry through their robust increases. Germany's chemical industry will presumably remain in crisis mode in 2023 and expects a drop in production, a decline in capacity utilization, and a squeeze on earnings.

Chemicals production *

in %	Actual 2021	Actual 2022	Forecast 2023
Germany	5.7	–6.0	–3.5
EU	9.7	3.0	2.0
China	12.3	3.5	3.5
USA	4.6	3.5	2.0
World	**9.7**	**2.7**	**2.3**
World (excluding pharmaceuticals)	6.7	1.9	0.4
Germany (excluding pharmaceuticals)	5.7	–10.0	–6.5

Sources: VCI, Cefic
* including pharmaceuticals

Slight growth expected in global demand for lubricants

According to Kline's 2022 study, global demand for lubricants will increase slightly at an average annual growth rate of 0.8 % over the period from 2022 to 2027. Growth in the EMEA region (0.7 %) is expected to be driven in particular by Germany (3.5 %) and the Middle East and Africa (1.5 %). By contrast, declining growth rates are expected for Russia (– 2.6 %). Growth in the Americas region (0.9 %) will be driven mainly by increases in Mexico (2.7 %) and Brazil (3.0 %). Stable development is expected for the USA (0.2 %). The forecasts for the Asia-Pacific region, with average annual growth of 0.8 %, are underpinned in particular by increases in India (1.7 %) and Indonesia (2.3 %). The largest country in the region, China, is expected to grow slightly (0.4 %). Global lubricant demand is expected to reach around 37.4 million tons in 2027. This corresponds to an increase of around 1.5 million tons compared with the starting level in 2022. The positive demand trend towards higher-value lubricants will continue, supported by new technical standards, particularly in industrialized countries.

Development of lubricant requirements

in %	Compound annual growth rate (2022 – 2027)
EMEA	0.7
Asia-Pacific	0.8
North and South America	0.9
World	**0.8**

Source: Kline study

2.3 Business performance in 2022 – forecast comparison

Forecast adjustments determined by the economic environment

In the past financial year, the FUCHS Group exceeded its sales revenues target set at the beginning of the year. EBIT achieved the lower end of the range forecast. By contrast, free cash flow was not achieved due to an increase in net working capital, as higher raw material costs and selling prices led to an increase in inventories and receivables. Accordingly, the FVA was below the initial expectation.

The most important key performance indicators returned the following results:

- Sales revenues rose by €541 million (19 %) to €3,412 million.
- EBIT increased by €2 million (1 %) to €365 million.
- The FVA deteriorated from €205 million to €172 million.
- Free cash flow before acquisitions was €61 million compared to €90 million in the previous year.

The forecast for the past financial year 2022 was made at the beginning of last year amid great uncertainty. The impact of Russia's war of aggression on Ukraine and China's continued zero-Covid policy could not be reliably estimated, and nor could the further development of prices and availability in commodity markets. As certainty increased, the forecast values were adjusted over the course of the year. → # Comparison of actual vs. forecasted business performance

The performance of sales revenues exceeded initial expectations during the year due to inflation-related increases in sales prices and positive currency effects and was adjusted upwards twice in a row.

Increases in sales revenues were not fully reflected in the results. Due to the steep increases in raw material prices, gross profit did not keep pace with sales revenues. In addition, increased costs, such as those for transport, energy and personnel, as well as negative business developments in China, impacted EBIT. As early as the first half of the year, the earnings forecast was slightly adjusted downwards, but was maintained by external influences throughout the year, despite many uncertainties.

Comparison of actual vs. forecasted business performance

Performance indicator	Forecast 2022	Actual 2022	Evaluation
Sales revenues	€3.0 – €3.3 billion July 29, 2022: at the upper end of the €3.0 to €3.3 billion range October 28, 2022: over €3.3 billion	€3.4 billion	achieved
EBIT	€360 – €390 million April 29, 2022: previous year's level (at the lower end of €360 – €390 million)	€365 million	achieved
FVA	Previous year's level (€205 million) April 29, 2022: below previous year's level	€172 million	achieved
Free cash flow before acquisitions	around €220 million April 29, 2022: well below €220 million	€61 million	achieved

Investments in 2022 were €79 million, thereby slightly below the comparable level of depreciation and amortization. Net operating capital increased significantly, in particular as a consequence of higher sales prices, significantly higher raw material costs and stockpiling due to supply chain disruptions. As a result, the original forecast for free cash flow of around €220 million was lowered over the year. Free cash flow before acquisitions was €61 million due to the developments presented.

The FVA was lowered in line with the EBIT forecast, and it reached €172 million (205), well below initial expectations against a background of a slight increase in capital costs of 10.0% (9,5%).

2.4 Group performance and results

Sales revenues (performance)

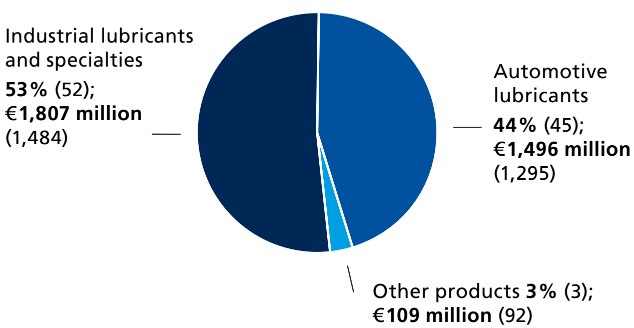
Regional development of sales revenues by company location

in € million	2022	2021	Organic growth	External growth	Currency translation effects	Total change absolute	Total change in %
EMEA	2,036	1,710	317	2	7	326	19
Asia-Pacific	929	855	21	0	53	74	9
North and South America	653	471	119	0	63	182	39
Sales revenue before consolidation	3,618	3,036	457	2	123	582	–
Consolidation	–206	–165	–40	0	–1	–41	–
Total	**3,412**	**2,871**	**417**	**2**	**122**	**541**	**19**

Sales revenues significantly higher than in the previous year, driven by price and currency

FUCHS crossed the barrier of €3 billion for the first time in 2022 and generated sales revenues of €3,412 million (2,871), more than half a billion over the previous year. The significant sales revenues increase of 19% was a result of strong organic growth of around 15% or €417 million, which was driven by the increase in selling prices to offset the massive price increases on the buying side. In particular, the strength of the US dollar and the Chinese renminbi resulted in positive exchange rate effects of 4%, which increased sales revenues by around €122 million. The level of external growth was negligible.

Breakdown of Group sales revenues by product group



Growth factors

	in € million	in %
Organic growth	417	15
External growth	2	0
Effects from currency translation	122	4
Growth in sales revenues	**541**	**19**

Group sales revenues by customer location

in € million	2022	Share in %	2021	Share in %	Change absolute	Change in %
EMEA	1,775	52	1,484	52	291	20
Asia-Pacific	992	29	920	32	72	8
North and South America	645	19	467	16	178	38
Total	**3,412**	**100**	**2,871**	**100**	**541**	**19**

North and South America region continues to expand share of total sales

In the last financial year, all regions increased their sales revenues. The North and South America region had the highest percentage growth. It increased its sales revenues by 39 %. It was followed by the Europe, Middle East, Africa (EMEA) region with growth of 19 %. Asia-Pacific gained 9 % in a difficult environment and despite the zero-Covid policy in China. With a steady 56 % (56) share of unconsolidated sales revenues by company location, EMEA remains by far the region with the highest sales revenues. It is followed by the Asia-Pacific region with a share of 26 % (28), which gives up two percentage points to North and South America. Following slight gains in the previous year, North and South America were able to further expand their share to 18 % (16).

Results of operations

Group results of operations

in € million	2022	in %	2021	in %	Change
Sales revenues	3,412	100.0	2,871	100.0	541
Cost of sales	–2,358	–69.1	–1,906	–66.4	–452
Gross profit	1,054	30.9	965	33.6	89
Other function costs	–698	–20.5	–611	–21.3	–87
EBIT before income from companies consolidated at equity	356	10.4	354	12.3	2
Income from companies consolidated at equity	9	0.3	9	0.3	0
EBIT	365	10.7	363	12.6	2
Financial result	–8	–0.2	–5	–0.2	–3
Income taxes	–97	–2.9	–104	–3.6	7
Earnings after tax	**260**	**7.6**	**254**	**8.8**	**6**

EBIT improves, while increase in raw materials prices weighs on gross margin

Due to a significant increase in sales revenues of €541 million in an environment characterized by extreme increases in commodity costs and a difficult economic environment, FUCHS managed to increase its EBIT slightly by €2 million year-on-year. Declining earnings in Asia-Pacific as a result of the strict zero-Covid policy and numerous lockdowns in China were offset by encouraging earnings growth in the EMEA and North and South America regions.

Sharp increases in purchasing prices and inflation-driven increases in other function costs were key factors in the course of the business and the results generated in the past financial year. Over the course of the year, however, the extreme cost increases were offset through price adjustments on the sales side. Thus, gross profit improved significantly by €89 million, or 9 %. Gross margin decreased by 2.7 percentage points, from 33.6 % to 30.9 %, due to the disproportionate increase in the gross profit compared to sales revenues.

The gains in gross profit were offset by increases in other function costs of €87 million, or 14 %, mainly due to the general increase in costs largely caused by inflation. In particular, higher staff costs, attributable to tariff increases, made a noticeable impact. Inflation-driven expenditure on freight and, although of minor importance for FUCHS, energy also increased, pushing up other function costs. The lifting of the Covid-19 restrictions and the resumption of travel activities resulted in higher travel expenses.

At €356 million (354), EBIT before income from companies consolidated at equity (EBIT before at equity), defined as the balance of gross profit and other function costs, was up by €2 million or 1 % on the previous year. The EBIT before at equity margin decreased from 12.3 % to 10.4 % due to the factors explained.

At €9 million (9), income from companies consolidated at equity (at equity income) was at the same level as the previous year.

As a result, EBIT improved by €2 million to €365 million (363). The EBIT margin, on the other hand, decreased from 12.6 % to 10.7 %. Earnings after tax increased by €6 million or 2 % to €260 million (254).

The tax rate (income taxes related to earnings before tax without income from at equity companies) decreased from 29.8 % to 27.9 %.

Based on earnings after tax of €260 million (254), the net profit margin slipped back year-on-year to 7.6 % (8.8). Earnings per ordinary and preference share improved by €0.05 or around 3 % to €1.87 (1.82) and €1.88 (1.83) respectively.

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

Europe, Middle East, Africa (EMEA)

EMEA generates significant increase in sales revenues driven by prices

The EMEA region generated sales revenues of €2,036 million (1,710) in the past financial year. This figure was significantly higher than in the previous year, by €326 million, or 19%. In the face of massive price increases on the purchasing side and rising inflation over the course of the year, all companies in the EMEA region were forced to significantly increase their selling prices in 2022. Despite a difficult political and economic environment, this resulted in an organic increase in sales revenues of €317 million or 19% compared to the previous year. Currency exchange rate effects only played a minor role in 2022, at €7 million in total. Positive currency effects from the United Kingdom, South Africa, and Russia offset negative effects, particularly from Sweden and Poland. No significant external growth was achieved in 2022.

All countries contributed to the significant increase in sales revenues, most of them with marked double-digit growth rates. Above-average gains in currency-adjusted terms were achieved mainly in South Africa, Poland, and Sweden.

Price increases offset massive cost increases

In an economically challenging environment, the EMEA region improved its segment results by €4 million to €170 million.

The region faced high cost increases in the past financial year. In addition to massive increases in raw material prices, inflation-driven increases, in particular in wages, freight, and energy costs, occurred over the year. The adjustment of the selling prices allowed these additional burdens to be compensated. As a result, not only gross profit but also EBIT before at equity were improved compared to the previous year. This rose by €4 million from €157 million to €161 million. The EBIT before at equity margin deteriorated to 7.9% from 9.2% in the face of inflationary sales revenues.

The at equity income contributed €9 million to the region's segment result, as in the previous year.

Investment volume normalized, focus again on Germany and South Africa

In the second year after the end of the major investment program, the investment volume of the EMEA region was further reduced. At around €32 million (43), it was €11 million below the previous year.

The German sites of Mannheim, Kaiserslautern, and Kiel were once again the focus. These sites posted €13 million (16) in numerous expansion, upgrading, and maintenance investments. In addition, the renovation and expansion of the Johannesburg site in South Africa continued: With the continued introduction of SAP, the commissioning of a new warehouse, the creation of modern office space, and

Segment information for EMEA [1]

in € million	2022	2021
Sales revenues by company location	2,036	1,710
Organic growth	317 (19%)	253 (17%)
External growth	2 (0%)	3 (0%)
Currency translation effects	7 (0%)	8 (1%)
EBIT before at equity	161	157
At equity income	9	9
Segment earnings (EBIT)	170	166
Capital expenditure [2]	32	43
Acquisitions [3]	0	2
Employees as of 31 December	3,905	3,860

[1] For further information, refer to the financial report: "Segments."
[2] Excluding additions to rights of use.
[3] Additions to property, plant and equipment and intangible assets.

the improvement and modernization of production infrastructure, work continued on the foundations for future growth and increased efficiency.

Asia-Pacific

Growth in sales revenues primarily driven by currency

The Asia-Pacific region reported sales revenues of €929 million for the past financial year and a primarily currency-driven overall growth of €74 million or 9%.

Positive currency effects, mainly from China, but also from most other countries in the region, accumulated to €53 million over the year and resulted in an increase in sales revenues of 6% year-on-year. At €21 million or 3%, organic growth in the region was significantly lower than in the other two regions. The region's growth engine of past years, China, was thwarted in 2022 by its zero-Covid strategy, which was consistently enforced with numerous lockdowns. Business declines, especially in the automotive sector, had to be accommodated, but were offset by mainly price- and volume-driven growth in other sectors and from other countries in the region.

EBIT below very good previous year

The Asia-Pacific region achieved an EBIT of €113 million, thus falling short of the previous year's result by €9 million. China's weak development due to the lockdown was a burden on the region. India, South-East Asia, and Australia, by contrast, recorded encouraging earnings growth.

The sales growth achieved in the region compensated for the noticeable raw material price increases, although these were lower than in the other two world regions, but the increase in other functional costs was only partially covered. The continued future-oriented expansion of the region, on the one hand, and inflation-driven cost increases, on the other, resulted in particular in a rise in personnel and transport costs and depreciation and amortization. As a result, Asia-Pacific could not build on the very good previous year. The EBIT margin deteriorated to 12.2% (14.3).

Specialty grease plant in China and new production plant in Vietnam increase investment volume

In the Asia-Pacific region, investments in property, plant and equipment and intangible assets were by €31 million (20) significantly higher than in the previous year. Around three quarters of these investments went into projects at the Chinese sites, in particular building up in-house production capacity for high-performance greases, including

Segment information for Asia-Pacific[1]

in € million	2022	2021
Sales revenues by company location	929	855
Organic growth	21 (3%)	133 (19%)
External growth	0 (0%)	0 (0%)
Currency translation effects	53 (6%)	24 (3%)
EBIT before at equity	113	122
At equity income	0	0
Segment earnings (EBIT)	113	122
Capital expenditure[2]	31	20
Acquisitions[3]	0	3
Employees as of 31 December	983	944

[1] For further information, refer to the financial report: "Segments."
[2] Excluding additions to rights of use.
[3] Additions to property, plant and equipment and intangible assets.

polyurea greases, along the lines of the Kaiserslautern site. In the future, the new grease plant will allow China to respond even better and more flexibly to customer requirements in the applications of e-mobility, wind power, and the food industry. The largest single investment in the region, besides the specialty grease plant, was made in Vietnam, where the construction of a production plant began, laying the foundation for the further development of this promising market.

North and South America

Sales revenues due to business expansion, price increases and positive exchange rate effects significantly higher than in the previous year

The North and South America region continued to show impressively strong growth rates in 2022, following already strong sales revenue increases in the previous year. Sales revenues increased by no less than 39 %, from €471 million to €653 million. The main driver of this increase was high, predominantly price-driven organic growth of 25 %, which contributed €119 million to the overall growth. North and South America also faced high increases in raw material prices, which were successfully offset by price increases on the sales side. In addition, in a difficult economic environment, North America managed to generate business growth. The positive development of Nye Lubricants, which was able to significantly increase its sales revenues compared to the previous year, is particularly noteworthy. Furthermore, the region benefited from the strength of the US dollar, as well as the Brazilian real, and the resulting positive exchange rate effects of 14 % or €63 million. In contrast to the previous two years, no external growth was achieved.

Segment information for North and South America [1]

in € million	2022	2021
Sales revenues by company location	653	471
Organic growth	119 (25 %)	96 (25 %)
External growth	0 (0 %)	12 (3 %)
Currency translation effects	63 (14 %)	–24 (–6 %)
EBIT before at equity	77	60
At equity income	0	0
Segment earnings (EBIT)	77	60
Capital expenditure [2]	11	8
Acquisitions [3]	0	0
Employees as of 31 December	1,063	1,028

[1] For further information, refer to the financial report: “Segments.”
[2] Excluding additions to rights of use.
[3] Additions to property, plant and equipment and intangible assets.

EBIT up year-on-year

The North and South America region increased its EBIT by 28 % to €77 million (60) and contributed €17 million more to the Group's earnings than the previous year, supported by positive exchange rate developments.

The strong growth in sales revenues was the basis for the improvement in the earnings. This made it possible not only to offset the increase in purchase prices and improve gross profit, but also to cover inflation-related increases in other costs, such as freight and personnel, in particular. In a highly inflationary environment, gross margin deteriorated but remained at a comparatively higher level in relation to the other two regions. The EBIT margin fell from 12.7 % to 11.8 %.

Nye, the North American specialty manufacturer acquired in 2020, as well as the Mexican subsidiary, in particular, contributed to the positive performance. South America also developed positively.

Investment volume increased, focus on the US

Following reduced investment activities in 2021, the region's investments in the past financial year were at slightly higher levels. Around €11 million (8) went into different modernization and maintenance projects, mainly in the US, where capex activity once again focused on the Kansas City and Harvey plants.

2.6 Net assets and financial position

Balance sheet structure

Financial position

	December 31, 2022		December 31, 2021		
	in € million	in %	in € million	in %	Change in € million
Goodwill	254	10	247	11	7
Other intangible assets	93	4	107	5	– 14
Property, plant and equipment	751	30	744	32	7
Other non-current assets	107	4	92	4	15
Non-current assets	**1,205**	**48**	**1,190**	**52**	**15**
Inventories	635	25	507	22	128
Trade receivables	507	20	431	19	76
Cash and cash equivalents	119	5	146	6	– 27
Other current assets	50	2	37	1	13
Assets held for sale	7	0	0	0	7
Current assets	**1,318**	**52**	**1,121**	**48**	**197**
Total assets	**2,523**	**100**	**2,311**	**100**	**212**

Higher business volume expands total assets

In the reporting year, total assets increased by 9% or €212 million to €2,523 million as of December 31, 2022. The main drivers of this development were price-related increases in inventories and trade receivables, which accounted for 45% (41) of total assets at the end of the year.

Non-current assets at previous year's level

As of the reporting date, the carrying amount of non-current assets was €1,205 million. With an increase of around €15 million, or 1%, they remained at the previous year's level.

The €14 million reduction in other intangible assets as a result of the amortization of customer lists was offset by the entirely currency-related €7 million increase in goodwill and a €7 million increase in property, plant and equipment to €751 million, mainly due to capital expenditure. In addition, other non-current assets increased by €15 million, primarily due to the acquisition of the shares in E-Lyte.

Price increases raise level of current assets

Current assets again showed a strong increase following the strong gains in the previous year. Compared with the previous year, they increased by €197 million or 18% to €1,318 million. Their share of total assets rose from 48% to 52% at the end of the reporting year. Similarly to the previous year, this development was driven by massive price increases on the purchasing side. These led, firstly, to the growth in value of stored raw materials, then to a price increase in stocked finished products and finally to a growth in receivables as the price increases were passed on to customers. This is how price increases led to inventories growing by €128 million or 25% and trade receivables by €76 million or 18%. The increased amount of funds tied up in inventories and receivables was also reflected in cash and cash equivalents. The share buyback launched in 2022 further reduced cash and cash equivalents. Overall, these fell by €27 million or 18% to €119 million.

Equity ratio slightly reduced, at a high level

Compared with the previous year, total equity rose by €85 million. With significantly expanded total assets, the total equity ratio decreased by three percentage points, but remained at a high level of 73 % (76).

Non-current liabilities decline after pension revaluation on the basis of increased interest rates

Total equity stood at €1,841 million and liabilities at €682 million as of December 31 of the reporting year. Thereof, €88 million (102) or 3 % of total equity and liabilities and thus €14 million or 14 % less than in the prior year was attributable to non-current liabilities.

The decisive factor here was the decrease in pension provisions. As at December 31 of the reporting year, pension accruals amounted to just €7 million, compared with €28 million a year earlier. Following outfunding in previous years, pension provisions largely related to our companies in Germany and the UK. Their reduction in the reporting year was mainly due to the recalculation of provisions not recognized in profit or loss as a result of rising interest rates.

Capital structure

	December 31, 2022		December 31, 2021		
	in € million	in %	in € million	in %	Change in € million
Total equity	**1,841**	**73**	**1,756**	**76**	**85**
Pension provisions	7	0	28	1	–21
Deferred taxes	53	2	48	2	5
Non-current financial liabilities	18	1	14	1	4
Other non-current liabilities	10	0	12	0	–2
Non-current liabilities	**88**	**3**	**102**	**4**	**–14**
Trade payables	231	9	227	10	4
Provisions	15	1	16	1	–1
Financial liabilities	161	6	35	1	126
Other current liabilities	187	8	175	8	12
Current liabilities	**594**	**24**	**453**	**20**	**141**
Total equity and liabilities	**2,523**	**100**	**2,311**	**100**	**212**

Increase in current liabilities

Current liabilities increased significantly in the reporting year. The balance sheet showed a sum of €594 million (453) as of December 31, 2022, representing an increase in the carrying amount of €141 million or 31 %.

While trade payables (€231 million vs. €227 million) hardly increased year-on-year, current financial liabilities in the Group rose significantly by €126 million to €161 million (35). The additional funds were needed in particular to finance the buyback of shares and the build-up of inventories and receivables as a result of the massive price increases on the buying and subsequently selling side.

Use of capital employed[1]

in € million	2022	2021	Change absolute	Change in %
Property, plant and equipment[1]	753	718	35	5
Intangible assets[1]	357	353	4	1
Net operating working capital (NOWC)[1]	820	606	214	35
	1,930	**1,677**	**253**	**15**
Other items[1]	–1	–10	9	–
Capital employed[1]	**1,929**	**1,667**	**262**	**16**

[1] Average figures, each based on five quarterly values.

Contractual investment obligations increased

In addition to the reported liabilities, there were contractual investment obligations of around €27 million (18) at the reporting date. With the launch of new construction projects, mainly in Asia-Pacific, these commitments have increased by €9 million compared to last year's reporting date. €21 million, representing more than three quarters of existing investment commitments, was attributable to this region. These commitments are mainly related to the construction of the grease plant in China and the construction of a production plant in Vietnam. In addition, there were fairly high obligations for our companies in Germany for various individual projects.

Increased capital commitment and share buyback result in net debt

At the end of the past financial year, the FUCHS Group reported net debt of €60 million. FUCHS had always been able to close the previous years with a high level of net liquidity, which still amounted to €97 million in 2021. However, the share buyback and the exceptional business performance with massive increases in capital employed reduced cash and cash equivalents by €27 million and at the same time necessitated an increase in financial liabilities of €130 million.

Another sharp increase in net operating working capital (NOWC)

Compared with year-end 2022, NOWC (calculated as the balance of inventories plus trade receivables less trade payables and advance payments received and liabilities from customer discounts) increased by €200 million or 30% to €871 million (671). The continued significant increase in accounts receivable and inventories led to an increase in NOWC relative to fourth quarter annualized sales revenues, from 22.6% in the previous year to 25.0% as of the end of the reporting year. This represents a nine-day increase in average capital commitment to 91 days (82).

On average over five quarters, FUCHS used 39% of its capital for property, plant and equipment, 19% for intangible assets and 42% and thus six percentage points more than in the previous year for financing its net operating working capital. These three values mainly determine the cost of capital invested and thus also have a significant impact on the FVA. Their total increase of 15% compared with the previous year resulted in an increase of 16% in the average capital employed.

Investments and acquisitions

Investments

Capital expenditure at level of depreciation and amortization

FUCHS continues to invest in the maintenance, expansion and modernization of its sites, amounting to around €79 million in the past financial year. As a result, investments in property, plant and equipment and intangible assets were at previous year's level (80) and slightly below depreciation and amortization (83), i.e. depreciation and amortization excluding rights of use, in the second year after completion of the major investment offensive, under which FUCHS invested almost €600 million from 2016 to 2020. The largest individual investments were made in the Asia-Pacific region. The construction of a factory for specialty fats has begun at the chinese Yingkou site, in Vietnam, the foundation was laid for setting up production in this emerging market. Additions to intangible assets and property, plant and equipment (investments plus additions of rights of use under rental and lease agreements) totaled €91 million (92).

Investments [1]

in € million	2022	2021
EMEA	32	43
Asia-Pacific	31	20
North and South America	11	8
Holding companies	5	9
Total	**79**	**80**

[1] Excluding additions to rights of use.

→ 56 Sales revenues, results of operations and investments in the regions

Acquisitions

FUCHS enters future-proof market for specialty electrolytes

With the investment of 28% or around €6 million in E-Lyte Innovations GmbH, FUCHS entered the fast-growing battery market in the past financial year and laid the foundation for a forward-looking expansion of the product portfolio for specialty electrolytes: E-Lyte develops and manufactures liquid electrolytes for high-performance batteries in the industrial and automotive sectors. The share purchase agreement opens up the possibility of successively acquiring further shares in the company accounted for as at equity. Further acquisition opportunities did not arise for FUCHS in the past financial year, which was dominated by uncertainty and therefore difficult for acquisitions.

Depreciation and amortization

Further increase in depreciation and amortization

With capital expenditure at prior-year level, scheduled amortization and depreciation of property, plant and equipment and of intangible assets including rights of use increased again from €86 million in 2021 to €93 million in 2022.

Statement of cash flows

Statement of cash flows

in € million	2022	2021
Earnings after tax	260	254
Depreciation and amortization and impairment	94	86
Change of NOWC	–206	–152
Other changes	–20	–19
Cash flow from operating activities	**128**	**169**
Capital investment on long-term assets	–69	–80
Earnings from disposals of fixed assets	2	1
Free cash flow before acquisitions	**61**	**90**
Acquisitions/divestments	–2	–29
Free cash flow	**59**	**61**

Price-driven build-up in net operating working capital reduces cash flow from operating activities

In the reporting year, FUCHS generated free cash flow of €59 million, on a par with the previous year. By contrast, free cash flow before acquisitions declined. At €61 million (90), it was significantly lower than in the previous year.

The main factor influencing free cash flow before acquisitions was the continued price-related increase in net operating working capital by additional €54 million. The increase in capital employed was only partly offset by a €6 million improvement in earnings after tax and an €8 million increase in depreciation and amortization, with the result that cash flow from operating activities sank by €41 million to €128 million.

The high NOWC build-up was contrasted with reduced payouts for investments in non-current assets. At €79 million, additions to fixed assets were at previous year's level, but payments for them up to the end of the year were only €69 million, €11 million lower year-on-year. This resulted in a reduction of €29 million in free cash flow before acquisitions to €61 million.

After payments for acquisitions (€2 million) and cash acquired through acquisitions (€0 million), free cash flow in the reporting year amounted to €59 million (61).

Dividends totaling €143 million (137) were paid to shareholders. Cash and cash equivalents decreased by €27 million to €119 million over the year, down from €146 million.

Liquidity situation, financing structure, and dividend policy

Liquidity levels and financing strategy

At the end of the reporting year, FUCHS had cash and cash equivalents of €119 million (146) with net debt of €60 million. For its financing activities, the Group can also draw on unused credit lines with banks amounting to €222 million as at December 31, 2022 (165) and, thanks to its solid balance sheet structure, can raise further funds quickly and flexibly if necessary.

This will ensure the Group's flexibility and independence. As has been demonstrated over the past few years, the strong financial position and solid balance sheet allows for future investments as well as for the completion of special projects such as share buybacks, even in a difficult economic environment, and provides scope for taking advantage of possible acquisitions.

Increasing dividend as a target

FUCHS pursues the policy of an annually increasing dividend.

2.7 Overall position and performance indicators

The Executive Board is confident that the FUCHS Group continues to have a good economic position.

FVA performance indicator

FUCHS employs a uniform KPI for the purposes of value-oriented corporate control in the form of FUCHS Value Added (FVA): → 41 Controlling system

FVA = EBIT − capital employed × weighted average cost of capital (WACC)

WACC 2022
Basic data[1]:

- Equity costs[2] = 7.8% (7.4) after and 11.1% (10.6) before taxes
- Borrowing costs[3] = 2.3% (0.7) after and 3.3% (0.9) before taxes
- Financing structure[4] = 87% (89) shareholders' equity and 13% (11) borrowed capital
- Group tax rate = 30% (30)

[1] Empirical financial market data as of December 31, 2022.
[2] Risk-free interest rate + market risk premium × beta factor.
[3] Risk-free interest rate + sector-specific risk surcharge.
[4] Sector-specific financing structure at market values.

Falling earnings and rise in capital employed reduce FVA

in € million	2022	2021	Change absolute	Change in %
EBIT	365	363	2	1
Capital employed				
Total equity*	1,829	1,659	170	10
+ financial liabilities*	129	50	79	158
+ net pension provisions*	11	39	–28	–72
+ amortized goodwill*	85	85	–	–
– cash and cash equivalents*	125	166	–41	–25
Total capital employed	1,929	1,667	262	16
WACC (in %)	10	9.5	0.5	–
Capital costs	193	158	35	22
FVA	**172**	**205**	**–33**	**–16**

*Average figures, each based on five quarterly values.

In an environment of rising interest rates, the WACC calculated using the base data as of December 31, 2022, will increase from rounded 9.5% in the previous year to 10.0% before taxes.

The WACC is included in the FVA as a pretax interest rate as the earnings component is also taken into consideration as a pretax figure (EBIT).

Investments in property, plant and equipment, but above all the significant rise in purchasing and selling prices and the associated price-related increase in funds tied up in net operating working capital, required a total of €262 million in additional capital in the past financial year. With a simultaneous increase in the WACC to 10.0%, the capital costs increased significantly by €35 million or 22%.

At the same time, EBIT improved only slightly by €2 million. In total, these effects resulted in an FVA of €172 million (205), a reduction of €33 million.

Five-year report of FVA and its components

in € million	2022	2021	2020	2019	2018
EBIT	365	363	313	321	383
Average capital employed	1,929	1,667	1,562	1,470	1,317
Capital costs	193	158	148	147	132
WACC (in %)	10.0	9.5	9.5	10.0	10.0
FVA	172	205	165	174	251

Liquidity as a performance indicator

FUCHS uses free cash flow before acquisitions as the key liquidity indicator for the Group. It is defined as cash flow from operating activities, net of capital expenditure on intangible assets and property, plant and equipment. Free cash flow before acquisitions indicates the scope of available financial resources, particularly for acquisitions, dividend payments and the settlement of debts and to replenish cash and cash equivalents. Free cash flow before acquisitions is an important key liquidity indicator that provides the basis for a large number of management decisions.

In the year 2022, the FUCHS Group generated free cash flow before acquisitions of €61 million (90). Cash outflows for acquisitions were negligible at €2 million (29), resulting in free cash flow of €59 million.

Cash and cash equivalents decreased by €27 million to €119 million (146) due to a slight increase in the dividend payment, payments of €62 million to repurchase shares under the share buyback program launched in June 2022, and a cash inflow from debt financing of €119 million.

In addition to the free cash flow before acquisitions, FUCHS bases its assessment of the liquidity performance factor on the cash conversion rate (CCR) measured as the ratio of free cash flow before acquisitions to earnings after tax. In the past financial year, FUCHS achieved a cash conversion rate of 0.2, well short of the target of a CCR of 0.8 as a result of the strong price-driven build-up of net operating working capital.

The following summary presents the evolution of the main liquidity indicators.

Five-year summary of free cash flow, dividends (distribution amount) and cash conversion rate

in € million	2022	2021	2020	2019	2018
Free cash flow before acquisitions	61	90	238	175	147
Acquisitions/ divestments	–2	–29	–114	–13	12
Free cash flow	59	61	124	162	159
Dividend distribution (for the previous year)	143	137	135	131	126
Cash conversion rate*	0.2	0.4	1.1	0.8	0.5

*Free cash flow before acquisitions/earnings after tax.

Growth in sales revenues as a performance indicator

FUCHS aims to achieve annual growth in sales revenues in the mid-single-digit percentage range. This target was well exceeded in the past financial year. Despite a difficult economic environment, all regions generated high organic growth driven by price increases. The level of external growth was negligible.

Further information on organic and external growth is contained in the sections on sales revenues and earnings position of the Group and the regions.

Profitability as a performance indicator

EBIT

FUCHS measures the profitability of its business through earnings before interest and tax (EBIT). In 2022, EBIT increased slightly by 1 % compared to the previous year. FUCHS is aiming for a long-term EBIT margin of 15 %, but was unable to move closer to that target in 2022: In an inflationary environment, the EBIT margin worsened from 12.6 % to 10.7 %. Further information on this can be found in the sections on sales revenues and earnings position of the Group and the regions.

2.8 Opportunity and risk report

Opportunities

Future events that could lead to positive deviations from budget.

Risks

Future events that could lead to negative deviations from budget.

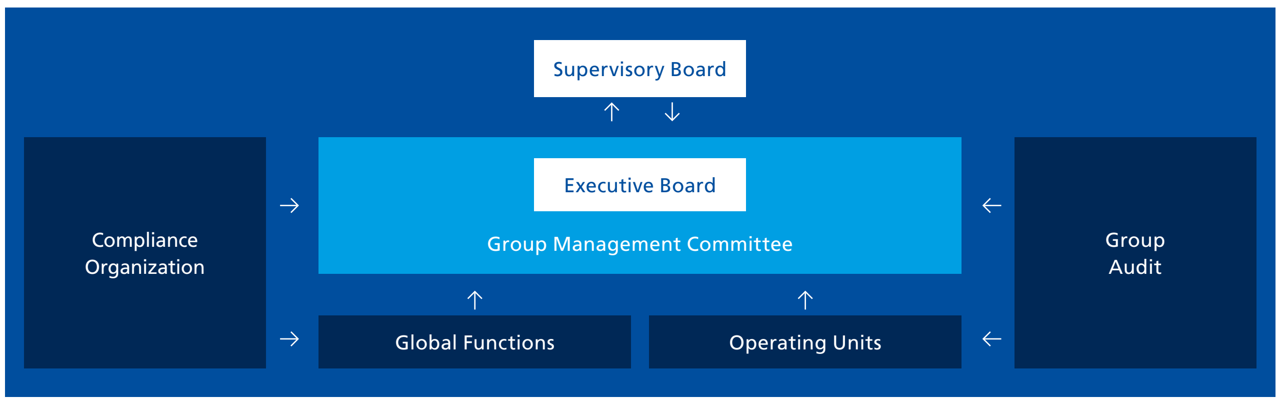
Opportunity and risk management

Early identification and appropriate assessment of risks and opportunities and their potential occurrence. Identification of measures for preventing risks and materializing opportunities.

Our risk and opportunity policy focuses on securing the continued existence of the FUCHS Group and increasing its enterprise value. Our corporate objective is to identify and leverage opportunities early on. We aim to detect risks as rapidly as possible, to assess them appropriately and to introduce adequate responses to prevent or avert them.

The Executive Board of FUCHS PETROLUB SE sets out the risk policy guidelines and strives to ensure a balanced relationship between risks and opportunities on the basis of the business model. Weighing up risks and opportunities is a key aspect of all business decisions, and thus an integral part of day-to-day business management in all operating units. Our system of risk and opportunity management is structured according to strategic planning processes based on comprehensive risk and opportunity assessments. The Executive Board, the Group Management Committee (GMC), the management of the local operating business units, and the Global Functions therefore all work together closely to identify, assess, and control operating and strategic risks and opportunities that could have a financial and non-financial impact. They are supported in their work by the Compliance Organization, Group Audit and the FUCHS PETROLUB SE network of Global Functions, which include, amongst others, finance, controlling, legal, tax, supply chain, human resources and IT.
→ ◎ Organization of opportunity and risk management in the FUCHS Group

Organization of opportunity and risk management in the FUCHS Group



The risk and opportunity situation of the Group is constantly monitored by the Executive Board and the GMC. The operating units and the Global Functions report identified risks and opportunities regularly. The Executive Board reports to the Supervisory Board on the findings of the risk and opportunity management process both regularly and on an ad hoc basis. We strive to manage the risks necessary to implement the risk strategy wisely and to prevent or mitigate them by taking appropriate countermeasures. As far as possible and economically reasonable, we transfer risks to third parties, for example through insurance contracts.

The Supervisory Board oversees the effectiveness of the risk management system through its monitoring of the Executive Board. The suitability of the established risk detection system in accordance with Section 91(2) of the German Stock Corporation Act (AktG) is part of the audit of the annual and consolidated financial statements by the statutory auditor. In addition, during the last reporting period, the adequacy and effectiveness of the risk management system for selected companies and business segments was reviewed and validated by an independent audit firm in accordance with the Institute of Public Auditors in Germany's auditing standard PS 981.

Opportunity report

Opportunity management within the Group

Within a dynamic market environment, the FUCHS Group's global business operations continuously create new opportunities, whose systematic detection and utilization are key components of our long-term focused corporate strategy. This is based on six strategic pillars:

- Global Strength
- Customer and Market Focus
- Technology Leader
- Operational Excellence
- People and Organization
- Sustainability

The Group has established planning, governance, and reporting processes to ensure that opportunities are detected early on and assessed within the strategy dialog. On the basis of economic analyses by recognized institutes, market information, and information from our own monitoring systems, we also aim to leverage the opportunities presented by the latest developments appropriately and early on.

The measures for taking advantage of opportunities are coordinated between the Executive Board/GMC, the global cross-divisional functions, and the management of the local operating business units. Global information is regularly compressed in the context of budgeting and general projections. Potential opportunities not taken into account in these calculations are reported as part of the reporting of opportunities and risks at company level.

Macroeconomic opportunities

The global presence of the FUCHS Group in almost all industrial markets of established and emerging economies allows us to participate in growth stimulus. Our goal is to participate in the dynamic development of these markets and to acquire new customers and additional orders. On the basis of the business model, various opportunities arise across the different regions, customer sectors, products, and customers. Regional hubs in the Americas, Europe and Asia enhance our respective strategic positions and allow specific market requirements to be identified and taken into account early.

Corporate strategy opportunities

On the basis of our mission statement "LUBRICANTS. TECHNOLOGY. PEOPLE.", our focus on lubricants, our capacity for innovation, our technological leadership in key business segments, our pronounced quality consciousness, and not least our qualified employees are the pillars for our corporate success. These strengths, in combination with the proven business model and prompt identification of future requirements regarding products, environmental protection, legal and regulatory rules, support the further expansion of our position on global lubricant markets and the development of optimal lubricant solutions for our customers. We are keen to achieve further organic growth and, if possible, growth through strategic acquisitions as well.

Sector and competition opportunities

The physical and organizational structure of our efficient and global network of sales representatives, application engineers, and commercial partners is aligned with our customers' sector-specific and market-specific requirements. We focus here on unlocking opportunities in defined market segments. The corporate strategy stipulations deriving from our mission statement are operationalized at the individual companies and in the Global Functions.

Opportunities from research and development

To strengthen our customer structure and further diversify our product portfolio, we engage in joint research and development activities in a network with universities, associated research institutes, and our customers. We emphasize our technological leadership in key business areas by investing specifically in research and development for high-grade lubricants. Our specialty lubricants play an important role in the development of the future areas of sustainability, mobility change, and digitalization. We develop custom product solutions that offer our customers sustainable benefits. Product innovations make an important contribution to supporting profitable organic growth, thereby boosting both our added value and our competitive position.

Opportunities from the promotion of employees

We also see opportunities above all in selectively promoting the expertise and capacity of our employees and managers, and utilizing these qualities to further develop our business. This is supported by the ongoing development of a structured global human resources platform.

Opportunities from sustainability activities

The early anticipation and implementation of trends in energy-saving and environmentally friendly products with high-quality lubricants that help extend the life of machines and increase their energy efficiency is also seen as an opportunity. Our sustainability activities combine the economic, ecological, and social aspects of our operations.

As a result of global climate change and associated climate politics, the need for renewable energy is increasing. The FUCHS Group supports the expansion of renewable energies by providing the functional fluids required for this. In particular, with innovative solutions for long-term lubrication of wind turbines and gentle cleaning of solar panels, FUCHS is helping to make the extraction of energy from renewable resources more reliable and efficient.

Opportunities through electromobility

Emission-free mobility is also becoming increasingly important as society as a whole strives for a more sustainable lifestyle. Globally, the trend towards electric motors is recognized as the dominant new drive technology. This creates far-reaching opportunities from the demand for novel products, from which FUCHS can greatly benefit. In particular, thermo fluids for the cooling of batteries and fluids for the electric powertrain are worthy of mention here. In addition, through its equity investment in E-Lyte in 2022, FUCHS created market access for specialty electrolytes which are used, among other things, in high-performance batteries in electric cars.

Opportunities from digitalization and Industry 4.0

Ongoing digitalization is changing the entire economy at a growing rate, and is transforming traditional setups and established processes on a long-term basis. The fourth industrial revolution – the intelligent networking of machines and factories in the Internet of Things – will use the internet to make the connection of software, mechanics, and electronics of a previously unfathomable level of complexity possible in the near future. Supplemented by big data approaches, this will give rise to new value creation possibilities in the field of services and in changed business models.

In digitalization and Industry 4.0, we see potential in a range of areas – for us and our customers – to make processes more efficient, to help shape the networking of intelligent systems, and thus to tap new business areas as well. We therefore intend to use this development as an opportunity to continue to expand and strengthen our position as an innovation and competition leader.

Risk report

The Group's risk management system

The risk management system (RMS) stipulated by the Executive Board of FUCHS PETROLUB SE and implemented in all Group units governs the way in which risks are handled within the FUCHS Group, 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 Global Functions. The configuration of the RMS and the internal control system is modeled on the internationally recognized COSO II framework of the Committee of Sponsoring Organizations of the Treadway Commission.

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

Budgets and forecasts, not to mention the associated risk inventory performed by the management of the operating units and the Global Functions in a structured manner every six months, form the basis of global risk controlling in the Group. Risk reporting covers such risks that were not already taken into account in the corresponding figures when preparing budgets and projections. In addition to reporting on financial risks, non-financial risks that may have a significant negative impact on the FUCHS Group are also addressed in the risk reporting process. Non-financial risks also include environmental and social risks.

The risk reporting process is supported by an IT solution. The completeness of the risk reports can be assessed and ensured using a risk catalog. The risk assessment takes into account the likelihood of the risks occurring and the associated range and extent of potential damage.

The deviation from the budgeted earnings before interest and tax represents the extent of loss. A distinction is made between gross losses before and net losses after risk mitigation measures. Risk mitigation measures are defined, implemented, and assessed locally to determine their effectiveness. The reports are validated by the regional management and the Group Executive Board.

The reporting threshold refers to earnings before interest and tax and corresponds to the corresponding key performance indicator of our management system. Income tax risks are also reported.

The total risk exposure of the FUCHS Group is determined by a Monte Carlo simulation based on the net risks reported by the Group companies and Global Functions. In 95 % of all cases, the maximum expected loss resulting from the simulation (95 % Value at Risk) is used as a benchmark against risk-bearing capacity. In addition, reported risks are grouped into risk aggregates at Group level and are also classified according to the maximum expected loss in 95 % of all cases (95 % Value at Risk).

The following assessment criteria therefore apply to aggregated risks at Group level:

Probability of occurrence

Probability of occurrence	Description
≤ 10 %	Unlikely
> 10 % and ≤ 25 %	Possible
> 25 % and ≤ 50 %	Likely
> 50 %	Very likely

Extent of net loss *

Extent of net loss	Description
Insignificant	Deviation from the budgeted earnings before interest and tax is less than or equal to €35 million
Low	Deviation from budgeted earnings before interest and tax is greater than €35 million and less than/equal to €75 million
Moderate	Deviation from budgeted earnings before interest and tax is greater than €75 million and less than/equal to €100 million
Significant	Deviation from the budgeted earnings before interest and tax is greater than €100 million

* Related to the 95 % Value at Risk per risk aggregate. Addition is not permitted.

Risk matrix

Extent of net loss in relation to the 95 % Value at Risk per risk aggregate	Probability of occurrence: Unlikely (≤ 10 %)	Possible (> 10 % and ≤ 25 %)	Likely (> 25 % and ≤ 50 %)	Very likely (> 50 %)
Significant (> €100 million)	Medium	Medium	High	High
Moderate (> €75 million and ≤ €100 million)	Low	Medium	Medium	High
Low (> €35 million and ≤ €75 million)	Low	Low	Medium	Medium
Insignificant (≤ €35 million)	Low	Low	Low	Low

The combination of the probability of occurrence and extent of net loss related to the 95 % Value at Risk per risk aggregate determines the classification of risks into the risk categories low, medium or high from the Group's perspective. In line with our risk methodology, only moderate and very likely as well as significant and likely or very likely risk aggregates are classified as high risks.
→ ◎ Risk matrix

Even with appropriately set up and fully functional systems of risk reporting, it is not absolutely certain that all risks can be identified. Based on our current knowledge and the information available to us, we have appropriately taken into account and presented the risks associated with business operations.

On the basis of the risk classification system described, the FUCHS Group is not currently subject to any aggregated risks rated as high.

Risk aggregation

On the basis of the risk classification system described above, the FUCHS Group is not currently aware of any risk aggregates rated as significant. This also applies to the overall consideration of all risks. Nevertheless, risks that need to be monitored regularly owing to their significance to the Group and the individual companies are presented below.

Macroeconomic risks

Like every global company, the FUCHS Group is also exposed to risks arising from an unknown future development of the overall economic climate that cannot be fully covered within the scope of comprehensive risk reporting. Any deterioration in the general economic conditions in our sales regions can potentially impair the sales revenue and earnings position of the Group. Geopolitical and economic crises can impact regional markets.

The systematic alignment of our business activities with the major economic areas of Europe, North and South America, and Asia-Pacific and Africa limits any dependency on individual customer countries and therefore helps to diversify risk. The diversified product, region and customer portfolio also helps to at least partially compensate for temporary economic fluctuations by more favorable developments in other regions, markets or sectors.

Russian war of aggression against Ukraine

The impact of the Russian war of aggression in Ukraine has placed a heavy burden on the global economy and is also affecting FUCHS' business development. Our Ukrainian and Russian local subsidiaries are directly affected, but indirect effects can also be seen in the rest of the world.

Due to a change in societal expectations, which also affects the expectations of customers, sales losses as a result of the war cannot be ruled out.

The near-complete halt of Russian gas supplies is having a strong impact on energy markets. In order to avoid production outages due to bottlenecks, we are shifting to LPG at selected potentially affected production sites.

Possible power outages, which cannot be ruled out, may temporarily affect our local production. However, thanks to our production technologies, our production processes can be restarted immediately after a power outage has ended. Short-term bottlenecks can be offset by our stocks as well as by running our production in non-affected plants.

The war-related energy crisis, with rising energy prices, is driving inflation and creating significant macroeconomic uncertainties, the impact of which is currently not possible to estimate.

Covid-19 pandemic

The ongoing Covid-19 pandemic continues to affect the global economy.

Following the repeal of China's zero-Covid strategy, there is still a high risk of infection meaning that the strained situation in the supply chains will continue. This may also have a negative impact on the Chinese market as well as on the overall economy.

In addition, despite increased hygiene measures, there is still a potential health risk to our employees, which could result in disruptions to processes in certain areas.

Other possible pandemics can also pose a significant risk and have far-reaching effects on business operations.

Company-specific risks

The overview on the following page reflects the current assessment of the continuously monitored, identified company-specific risks. In 2022, inflation risks are reported for the first time.

→ ◎ **73 Overview of risk aggregates**

Strategic risks

1) Investment and acquisition risks

Investment and acquisition projects are regularly associated with complex risks. If there are unforeseen changes to economic or legal frameworks, the respective project costs may increase. Planned project completion dates may also be delayed. Investment and acquisition decisions are therefore implemented on the basis of specific processes and procedures, are subject to careful examination in a multi-stage process and are comprehensively monitored by comprehensive project and cost controlling.

2) Risks from research and development

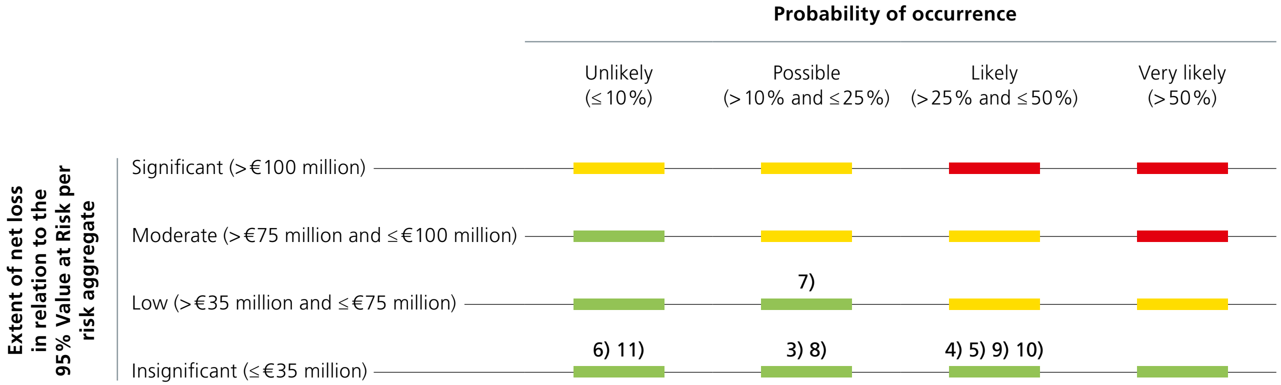
The opportunities of our major capacity for innovation and our high degree of specialization also lead to risks of a complex portfolio and restricted predictability of research and development projects. To manage these risks, most products are developed in close collaboration with our customers. We also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

3) HR risks

The commitment and competence of our employees is the foundation of our economic success. For this reason, we address the risk of staff availability through projects that focus on talent selection, recruitment, and employer branding. Our goal is to recruit highly qualified technical and managerial staff and to retain them in our company for the long term. We use multi-faceted HR marketing initiatives to make the attractiveness of the FUCHS Group as an employer known in the market. To retain high performers and talented employees, we have, among other things, implemented a manager development program and offer interested employees extensive opportunities for structured continuing professional development. This also includes teaching specialist and behavioral skills that will be required in the future in order to deal with the changing business and work environment. Our values and management principles form the basis for FUCHS' appeal as an employer.

In our aggregation of risks, we also focus, in terms of HR risks, on employment law-related legal proceedings and disputes to which we could in principle become a party – whether as plaintiff or defendant.

Overview of risk aggregates



No.	Risk aggregate	Risk classification	Change compared to 2021
	Strategic risks		
1)	Investment and acquisition risks	Not quantifiable	►
2)	Risks from research and development	Not quantifiable	►
3)	HR risks	Low	►
	Operational risks		
4)	Sector, competition and customer-related risks	Low	►
5)	Procurement risks	Low	►
6)	IT risks	Low	►
	Legal, regulatory and liability-related risks		
7)	Location risks (in the broader sense, legal, regulatory and political risks)	Low	►
8)	Product, environment and production-related risks	Low	►
	Financial risks		
9)	Currency risks	Low	►
10)	Inflation risks	Low	▲
11)	Credit risks	Low	►
12)	Impairment risks	Not quantifiable	►

Operational risks

4) Sector, competition and customer-related risks

Intensive competition on sales markets, rising customer quality standards and technological progress are crucial to the FUCHS Group. We are therefore exposed to general competition risks. The shortage of semiconductors and the resulting slowdown in various industries continues to affect key customers and industries, albeit to a lesser extent, and may herald additional risks.

FUCHS is active in many sectors with a broad-based product portfolio. However, increasing geopolitical tensions and trade conflicts between sovereign states could have a negative impact on some market segments and pose a risk to demand for segment-specific products.

In the case of tender-based, time-limited customer contracts, the expiry of such contracts and/or any request by the customer to retender, poses the potential risk that this business could be lost.

Although the Group's business operations are already highly diversified, we are keen to further expand these operations through the incorporation of new client groups, markets, and industries. In this context, we wish to maintain and further consolidate our position as technological leader in strategically important business fields and niches through continuous innovation activities, partnership-based research and development work and application-based support directly with customers. Our goal is to offer our entire product portfolio worldwide.

5) Procurement risks

On the procurement side, we see significant risks in the availability of raw materials, market changes, suppliers taking advantage of oligopoly positions and the price fluctuations entailed by this circumstance. Furthermore, the procurement of raw materials in foreign currency at volatile prices represents a transaction risk. In terms of organization, central departments and the various departments at our producing local subsidiaries monitor the procurement markets within the Group to detect any unfavorable developments early on and to ensure a rapid response. Further countermeasures include securing our supply of base oils and important chemicals via a broad procurement basis, continuously searching for alternative suppliers, and collaboration on technical committees to help secure a greater substitutability of base oils.

The use of raw materials by the FUCHS Group is divided into chemical raw materials and base fluids. Many raw materials have a petrochemical origin and are directly dependent on crude oil. Other parts of the sourced commodity portfolio used by FUCHS undergo a long sequence of value-added stages that follow crude oil. Therefore, the price movement of these commodities is not directly linked to the price movement of crude oil, but is instead influenced by many different factors along the value chain.

As a result of the Russian invasion of Ukraine, in addition to increases in the prices of crude and base oils, especially in Europe, further increases in natural gas prices may occur, which could add to the cost of producing raw materials. These market changes are constantly monitored by us, so that we can react quickly and agilely.

6) IT risks

IT risks arise from the increasing complexity of the organizational and technical interconnection of sites and systems, not least as a result of ongoing digitalization. Major technical malfunctions or failures of relevant systems could lead to significant impairments in business and production processes, resulting in operational disruptions and interruptions. We counter these risks by pursuing a global IT strategy, collaborating with established IT service providers, and using sound backup and recovery procedures.

Other IT risks arise from cybercrime and attacks, for example, where the Internet is used as a means of attack. The criminal misuse of digital technologies is an increasing challenge. In addition to targeted attacks on our systems, for example through ransomware, virus or phishing attacks, we also consider the theft of internal data and the various forms of so-called CEO fraud, among other things, as risks. We try to counter these risks by consistently protecting our systems and IT infrastructure using state-of-the-art technology. Among other things, we operate a Cyber Security Operations Center with a service provider, including in-house alerting processes for early detection and tracking of attacks in operations, and have an expert team on call for immediate damage limitation in response to successful attacks. These measures are accompanied each year by proactive penetration testing conducted by a proven external auditor to identify and close vulnerabilities. Our employees are also kept up to date on current practices, developments, and technologies through annual mandatory training, policies and guidance, and are thus made aware of potential fraud attempts.

In order to strengthen the importance of IT within the FUCHS Group, a Digital Board Committee has been established, consisting of the Group's Chief Digital Officer (CDO), senior Group IT executives, and the regionally responsible CDOs. Monthly meetings discuss IT strategy and information security issues, and at least once a year the entire Executive Board is briefed on key developments. In addition, important data protection incidents are immediately reported to the competent authorities in accordance with legal regulations.

Legal, regulatory and liability-related risks

7) Location risks

Location risks (in the broader sense, legal, regulatory and political risks) constitute the greatest aggregation of risks for the FUCHS Group and are therefore assessed to differing extents below.

7.1) Legal risks

We aim to control legal risks and keep them as low as possible. We have therefore taken the necessary precautions to identify threats and to defend our rights if necessary. Nevertheless, we are exposed to legal risks in areas such as product liability, employment and competition law, and environmental protection. Legal disputes and the emergence of new legal disputes, as well as settlement of existing ones, are therefore a normal standard condition of our business activities, our global presence, and our diversified product portfolio. We counter these risks through the legal expertise embedded in our Global Functions and with the help of external specialists. We regularly map the expected outcome of these disputes in budgets and projections and review their status constantly. A transaction tax dispute remains unresolved and is the subject of ongoing legal proceedings.

Illegal conduct harbors the risk of damaging the company's image, weakening our market position and even causing us financial harm. The FUCHS Executive Board has implemented a Group-wide compliance management system (CMS) to ensure legally compliant and social-ethical conduct. The prevention and detection of violations, and responding to these, are key components of the CMS. We do not tolerate any non-compliance with legal provisions, the FUCHS Code of Conduct, our five core values, or other internal policies. The CMS is presented in more detail in the corporate governance declaration in the Corporate Governance Report.

7.2) Regulatory risks

Regulatory risks mainly refer to amendments in regulation policy and legislation – globally and on individual sales markets. We address these risks with the expertise of dedicated specialists, as well as appropriate legal and insurance consulting.

In particular, amendments to chemicals regulations and the Globally Harmonized System (GHS) constitute specific regulatory risks to the chemicals industry. The European REACH (Registration, Evaluation, and Authorization of Chemicals) regulation is making fundamental changes to legislation governing chemicals in the EU member states. In line with the "no data, no market" principle, all substances that are put on the market in quantities of more than one ton per year in the EU have had to be REACH registered since May 31, 2018. During the evaluation process, the European Chemicals Agency (ECHA) may request further studies. There is a risk that these studies may identify further major risks that affect the marketability of our products. We counter these risks by communicating regularly with our suppliers to ensure that we receive relevant information early to develop alternative solutions and products on time.

In addition to the Chemicals Regulation, the "Green Deal" adopted by the EU will bring new regulatory challenges. The Green Deal aims to directly develop and implement measures to make the European economy climate-neutral and sustainable by 2050. The main elements are mandatory evidence of the carbon footprint of imported goods, CO_2 taxation (including for imports), promoting the hydrogen economy, promoting the circular economy, and a generally emission-free economy. Based on the Green Deal, the European Chemicals Strategy for Sustainability has been developed with the aim of removing substances that have a potential negative effect on living organisms or the environment from the European market. We address these risks through close contacts with industry organizations and the EU, as well as through the early development of a substitution strategy.

In addition to the European chemical and sustainability regulations, other chemical regulations around the world are also being established or updated at the national and international level. Political developments can have a significant impact on our business. We must meet different regulatory requirements to enable the sale of our products within the EU and worldwide. This is why we have set up a network of experts who analyze the relevant legislation and ensure compliance with the respective regulations in close cooperation with our suppliers.

With its GHS, the United Nations is seeking to introduce a uniform worldwide system for the classification and labeling of chemicals. The introduction of GHS requires a reassessment of the hazardous properties of materials and formulations. We are supporting the introduction of GHS worldwide by creating appropriate organizational structures. The classification and labeling requirements could, however, mean that FUCHS products are subject to restrictions or bans and can no longer be sold unreservedly. We have already developed alternative formulations for potentially affected products. Our expert teams are also working on further alternatives.

In the area of sustainability, additional regulatory requirements create additional risks. Different stakeholders from different sectors have diverse expectations of the FUCHS Group, which we aim to meet. This may result in additional costs and liability risks. Failure to meet these requirements can lead to devaluation by credit rating agencies, reduced attractiveness for customers and employees, reputational damage, or regulatory constraints. We are committed to economic, environmental and socially sustainable economies and have defined targets for the respective factors as part of the FUCHS2025 strategy.

For a detailed presentation of the sustainability strategy, please refer to the separate Sustainability Report.
→ www.fuchs.com/sustainabilityreport

7.3) Political risks
The current strained geopolitical situation in many regions of the world may pose a risk to the further development of our sales regions. General conditions for the FUCHS companies in question will also be affected by this. This is particularly true of the war in Ukraine and the resulting energy crisis.

As described in the section on macroeconomic risks, we counter this risk through a broad geographic base and a diversified portfolio.

8) Product, environment and production-related risks

The production, filling, storage and transport of chemical raw materials, products, and waste entail potential product and environmental risks. These can present themselves in the form of incidents with a direct impact on persons, the environment and production processes. We therefore work to high technical (safety) standards when building, running, and maintaining our plants. We also use targeted measures to comply with soil and water protection regulations. The insurance programs in place throughout the Group are used to reduce the risks of damage to property, liability risks, transport risks and the risks posed by potential business interruptions. We also counter the effects of unplanned business interruptions in our plants with safety stocks and our global production network.

As a result of using our products on critical machine components in continuous operation, among other things, and for the first fill of vehicles and the commissioning of production facilities, deviations in product quality may lead to product liability risks, especially in the case of business interruptions or recalls. We counter these risks by subjecting our finished goods to an extensive quality control process and comprehensive insurance cover. Besides product-related risks under liability legislation, the unauthorized use of our trademark rights on counterfeit products, for example, represents another fundamental product-related risk.

The impact of climate change and related natural disasters, such as extreme weather events, can affect both FUCHS operations and our upstream supply chain. As a result, raw materials and consumables needed for production and day-to-day operations may become scarce or no longer available. This can have an immediate effect on our own plants and sites and may limit or even prevent FUCHS from fulfilling its orders. The analysis of insurance-related physical climate risks shows that the FUCHS sites present a markedly low level of risk. To the extent that climate hazards may pose a potential danger to our own sites, any resulting financial losses are transferred to insurance policies. Climate risks are subsumed within our risk aggregation under location risks. The analysis of climate risks is updated twice a year as part of the opportunity and risk reporting. For example, fire protection measures or as needed rain containment measures at our plants are an important countermeasure. Due to our global presence in all regions of the world, there is provision for potential climate-related failures in individual plants to be absorbed by other production sites.

The shift in societal awareness of climate change and associated regulatory requirements is leading to accelerated automobile electrification. This has an impact on the further development of the conventional powertrain and the suitable lubricants for it. However, regional differences need to be taken into account when converting to battery-powered vehicles. In Europe, the transition is likely to progress the fastest, as the European Union has decided to register only zero-emission new cars as of 2035. As one of the world’s largest automotive markets, China is showing strong growth overall. In terms of powertrains, China is showing an openness to technology which will affect the growing demand for automobiles for both conventional and novel powertrain vehicles. The transformation to electric mobility in the US is currently unclear and further development is therefore difficult to estimate at present. Through a balanced portfolio of customers and products, FUCHS seeks to diversify, with the majority of products made and sold by FUCHS being independent of the powertrain. Over the longer term, there is a risk that the removal of the internal combustion engine could lead to a potential decline in sales for certain product groups, such as engine oils and, in some cases, transmission oils. However, the resulting sales losses are expected to be offset by gains in sales revenues and profitability for the new, higher-priced products for electric vehicles.

Financial risks

Major financial risks are monitored and controlled by the central treasury department of FUCHS PETROLUB SE. There are detailed guidelines and requirements, approved by the company’s Executive Board, specifying how financial risks are to be controlled. Financial and currency risks are reduced by matching maturity and currency financing and by the use of derivatives. We use these funds exclusively for hedging purposes. The fair value of the forward currency transactions is calculated on the basis of recognized valuation models and current market data. The models are assigned to Level 2 in the fair value hierarchy under IFRS 13. This control is carried out strictly in accordance with binding internal policies which, through a dual-control principle, ensure that there is a sufficient functional separation between trading and settlement.

9) Currency risks

In regard to currency risks, we distinguish between transaction and translation risks. Transaction risks occur as a result of income and expenditure in foreign currency, such as in the procurement of raw materials. Owing to the structure of the lubricants business, which does not entail long run-up periods or a high level of orders on hand, there is no long-term hedging of currency positions in operating business. By contrast, the exchange rate risks resulting from granting intra-Group loans in foreign currency loans are hedged.

The translation risk is due to currency conversion of balance sheets and income statements into Group currency, the euro. As the FUCHS Group includes many Group companies not based in the euro area, exchange rate fluctuations can influence the Group's results. In some cases, transactional and translational risks at Group level have a temporary counter-effect and thus in some instances a compensatory effect.

10) Inflation risk

At present, large parts of the Western world in particular are in a period of high inflation. The FUCHS Group also faces the challenge of coping with further cost increases, especially for energy, services and freight, in addition to the increase in the price of raw materials. These may not be fully offset despite close monitoring of price increases and regular, thorough price calculations.

11) Credit risks

Receivables can become impaired if customers do not meet their payment obligations. The operating units of the FUCHS Group work with standard Group specifications for receivables management, which define controlling and auditing activities for the prevention of bad debts. These include credit assessments for new customers and the regular analysis of existing customers and the review of and, if applicable, reduction in the credit limits granted. Depending on the nature of the business relationship, additional collateral, such as credit insurance, advance payments, bank guarantees, letters of credit and guarantees, may be required to complete the business.

12) Impairment risks

The determination of the recoverability of goodwill takes place annually on the basis of planning based on past experience, the current operating results, and the best possible estimate of corporate management regarding future developments. In particular, changes in conditions on sales, procurement, and financial markets may result in devaluation risks.

Other non-quantifiable opportunities and risks

The digitalization and increasing networking of the industry will cause business processes to change, technology to be supplanted and individual business models and sectors to be called entirely into question. In the long term, the growth of alternative propelling systems will reduce demand for FUCHS products in conventional propelling systems. At the same time, demand will increase for lubricants used in alternative systems. For FUCHS, the topics of digitalization and e-mobility entail both risks and opportunities. They do not result in individual risks that are material for the Group.

As part of digitalization, processes at global companies will increasingly coalesce and become more intertwined. If our core processes are not harmonized worldwide, this may lead to inefficiencies.

In accordance with the materiality analysis in the non-financial statement, we have expanded our risk assessment to include non-financial risks that may have a material impact. As part of the structured risk reporting process conducted by the management of the operational units and the Global Functions, we did not identify any other material risks.

Overall assessment of the Group's opportunities and risks

The way in which the Group presents opportunities is a consolidated assessment of all significant opportunities in the forecast period. The way in which risks are presented throughout the Group is a consolidated assessment of all risks derived from the budget and risk reports submitted by both the individual companies and Global Functions for the forecast period. The overall risk profile of the FUCHS Group has not changed since the previous year.

The Executive Board cannot currently discern any risks jeopardizing the company as a going concern. We consider it unlikely that all the individual risks would occur at the same time.

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

The accounting-related internal control and risk management system is part of the overall ICS and RMS and has the overarching objective of ensuring the regularity of financial reporting in terms of consistency of the consolidated financial statements and combined management report of the FUCHS Group and the annual financial statements of FUCHS PETROLUB SE, as the parent company, with all relevant regulations.

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. There are also stipulations at the level of the individual companies on the dual control principle, the segregation of duties, and compliance with authorization levels. These controls are supported by our IT systems as part of an authorization concept. The SAP authorization concept is checked for conflicts using a software.

The Group accounting process is designed in such a way that uniform reporting of all business transactions is guaranteed throughout the Group in line with legal requirements, generally accepted accounting principles, international accounting standards as adopted by the EU (International Financial Reporting Standards, or IFRS), as well as the complementary group-wide policies, is ensured. All companies included in the scope of consolidation report in a standardized form.

The decentralized organization of the Group accounting process starts with the information in the financial statements of the individual companies of the Group, and comprises reporting with comprehensive monthly key figures in addition to detailed quarterly and annual financial statements. These are regularly checked within the Group for completeness, accuracy, and plausibility. The information is aggregated using a technical, Group-wide reporting system.

The Group accounting requirements are prepared centrally and described in a regularly updated accounting manual. Any amendments to existing accounting regulations affecting the consolidated financial statements of FUCHS PETROLUB SE are analyzed promptly and communicated to the Group companies for implementation. The professional competence of the staff involved in the financial accounting process is ensured through their careful selection, as well as training and continuing professional development. The largely standardized IT systems and corresponding security concepts give the IT systems used in accounting the best possible protection against unauthorized access. Within the scope of its audits over the course of the year, Internal Audit reviews the effectiveness of the internal control system. The internal controls of financial reporting are also checked for appropriateness and effectiveness by the statutory auditor applying a risk-oriented audit approach.

The various activities that make up the internal control and risk management system (particularly with regard to the Group accounting process) at FUCHS PETROLUB SE are specifically designed to detect and reveal potential risks and undesirable developments as soon as possible. However, even our systems cannot provide absolute security against potential errors. In the annual audit, the statutory auditor confirmed that the Executive Board has duly implemented the measures required pursuant to Section 91 para. 2 German Stock Corporation Act (AktG). These requirements include the establishment of a monitoring system capable of early detection of developments that could endanger the status of the company as an ongoing concern.

2.9 Forecast report

Group alignment: FUCHS broadly diversified

The FUCHS Group has a broad regional base, serves a large number of industries and special applications, and our portfolio contains a very broad range of products. The FUCHS Group is therefore widely diversified. The Group is continuously improving its existing products, which make high demands on technology and require a lot of servicing. New products are also being developed with the aim of reducing costs for customers, solving technical problems and improving sustainability.

The sales markets include highly developed industrialized countries and emerging markets that often post faster economic growth.

General economic growth forecasts

In January 2023, the IMF upgraded its prediction for the expansion of the global economy in the current year compared to the previous outlook in October, upping its forecast by 0.2 percentage points to 2.9%. This signals growth weakening in the current year by 0.5 percentage points compared to the reporting year 2022. The war in Ukraine, the coronavirus wave in China, as well as high inflation rates and rising interest rates, are the biggest negative factors. In addition, geopolitical risks are high and the increasing fragmentation of the global economy will dampen future macroeconomic potential.

For market performance in our customer sectors and in the three global regions, please refer to the section "Macroeconomic and sector-specific conditions." The growth in the reporting year 2022 and forecasts for 2023 are described starting on page 47 et seq.

→ 47 Macroeconomic and sector-specific conditions

Anticipated results of operations, net assets and financial position

The high level of general economic uncertainty is accompanied by a high level of unpredictability about the further development of raw material prices, and therefore sales prices. This makes it difficult to forecast how sales revenues will develop in the current year. At present, the FUCHS Group, based on its global and broadly diversified structure, is planning for sales revenues in the mid single-digit percentage range, and therefore of around €3.6 billion in 2023.

This growth results, on the one hand, from an increase in business volume and, on the other hand, from the ripple effects of the increases in selling prices implemented last year. In terms of earnings, FUCHS expects to generate EBIT of around €390 million. This will be achieved through continued rigorous cost management and a firm limitation on new hires. At the same time, however, we have to bear further inflation-related cost increases, especially in the area of staff and freight costs.

Forecast performance indicator *

	Actual 2022	Forecast 2023
Sales revenues	**€3,412 million**	around €3.6 billion
EBIT	**€365 million**	around €390 million
FVA	**€172 million**	above prior year
Free cash flow before acquisitions	**€61 million**	around €250 million

*The impact of the ongoing tense geopolitical situation on the global economy and FUCHS cannot be estimated at this time. In addition, the further development of raw material prices remains a matter of great uncertainty.

All regions will contribute to organic growth in sales revenues. It remains to be seen whether further acquisitions can be made over the course of 2023.

The forecast presented is based on plans that were informed by exchange rates as they stood at the end of August. However, it takes into account the high negative currency effects resulting from the conversion of planned sales revenues into the Group currency, the euro, with the January 2023 exchange rates. However, in the absence of reliable currency forecasts it is not possible to predict any future trend.

The achievement of our sales revenues and earnings forecast presupposes that the macroeconomic assumptions made for 2023 are correct. Should the global economy and global lubricant consumption grow more weakly than forecast, lower sales revenues and EBIT should also be expected.

Moderate increase in NOWC, investments at previous year's level

In consideration of the projected sales growth, we expect net working capital to remain constant or at most increase slightly in 2023, assuming an improvement in our NOWC in relation to sales revenues.

Investments will be at the level of the previous year and are planned to be to around €80 million. The focus of investment activities will once again be on the major centers of China, Germany and the USA, as well as South Africa. The construction of the specialty grease plant in China, which began back in 2022, is by far the largest single project by our group of companies. In South Africa, the expansion of production capacity will lay the foundation for further growth on the African continent. Numerous smaller-scale modernization and expansion investments are planned in Germany, the USA and other locations.

FVA above previous year's level, free cash flow before acquisitions with significant improvement

Capital employed will increase as a result of the growth in sales revenues. In an environment of rising interest rates, we can also not rule out an increase in the weighted average cost of capital (WACC). Both will result in higher capital costs. At a forecasted EBIT of around €390 million, we still expect FVA to be above the previous year (172). We anticipate a significant increase in free cash flow before acquisitions. Given the forecast result, ongoing investments and a significantly lower build-up of NOWC compared with the previous year, we are expecting free cash flow around €250 million.

2.10 FUCHS PETROLUB SE (HGB)

FUCHS PETROLUB SE is the parent company and strategic management holding of the FUCHS Group. It operates direct subsidiaries and associates and secures both the continued existence and further growth of the Group with its employees. In addition to business management activities, its important functions include the development and transfer of technical expertise and marketing as well as the protection of the FUCHS brand.

Most of the income generated by FUCHS PETROLUB SE takes the form of dividend income and income from investments, as well as royalties from technical expertise and trademark rights. Its financial position is essentially determined by the commercial success of the Group. The expenses accrued by FUCHS PETROLUB SE primarily relate to administration, technical development, and brand management. Furthermore, tax payments need to be made for the tax consolidation group and dividends paid to the shareholders.

FUCHS PETROLUB SE is in a very good economic position, with solid results of operations, net assets and financial position.

The annual financial statements of FUCHS PETROLUB SE are prepared in line with the regulations of the German Commercial Code (HGB) and German Stock Corporation Act (AktG).

Forecast comparison

Earnings after tax for FUCHS PETROLUB SE in the past financial year was €161 million (202), €41 million below that of the previous year. Initial expectations for the financial year 2022 of earnings after tax at the 2021 mark of €202 million were thus not met. This was mainly due to earnings contributions from the subsidiaries, which were received to a lower extent than expected. This was reduced by the specific valuation allowance for an intercompany loan receivable from the Russian subsidiary in view of the existing restrictions on capital movements. In addition, write-downs on financial assets reduced income from investments.

Results of operations of FUCHS PETROLUB SE

in € million	2022	2021
Sales revenues	73	69
Investment income	189	228
Other operating income	11	10
Staff costs	–30	–28
Depreciation and amortization	–2	–1
Other operating expenses	–44	–35
Earnings before interest and tax (EBIT)	**197**	**243**
Financial result	3	1
Earnings before tax	**200**	**244**
Income taxes	–39	–42
Earnings after tax	**161**	**202**
Retained earnings brought forward from the previous year	0	0
Transfer to other retained earnings	–13	–60
Unappropriated profits	**148**	**142**

Results of operations

During the reporting year, FUCHS PETROLUB SE reported sales revenues of €73 million (69). These resulted from licenses of €56 million (55) and cost allocations of €17 million (14).

The income statement is, however, dominated by investment income. This is based on profit distributions of €132 million (119) from foreign stock corporations, and on profit and loss transfer agreements in place with German subsidiaries, from which €72 million (103) were collected, and on income from write-ups on financial assets totaling €2 million (6). Income from investments was reduced in the past fiscal year by depreciation of financial assets amounting to €17 million (0).

Other operating income, which resulted primarily from the transfer of expenses charged by the holding company, rose slightly, by €1 million to €11 million (10), in the past financial year.

Revenues and income stood at €273 million (307), while expenses totaled €76 million (64) and were thus €12 million above the previous year. This increase was mainly attributable to staff costs and, in particular, to other operating expenses. Staff costs increased by €2 million to €30 million as a result of collectively agreed pay increases and additional employees. Other operating expenses rose by €9 million to €44 million. A large portion of these expenses was due to increased compensation for services provided by subsidiaries to the holding, as well as increased ERP and IT costs: FUCHS PETROLUB SE purchases numerous ERP and IT services for the Group as a whole, but also transfers a large part of these costs on proportionately to its subsidiaries. Other significant costs include particularly legal and consulting costs as well as travel expenses.

Earnings before interest and tax (EBIT) deteriorated by €46 million year on year, falling to €197 million (243), as revenues declined while costs increased. After including the financial result of €3 million (1), earnings before tax came to €200 million (244). After taxes of €39 million (42) for the tax consolidation group, earnings after tax amounted to €161 million (202).

Unappropriated profits as of December 31, 2022, amounted to €148 million (142) after an allocation of €13 million (60) to retained earnings.

Net assets and financial position

Assets essentially comprise financial assets and receivables due from affiliated companies

Being the holding company, the assets of FUCHS PETROLUB SE essentially comprise shares and investments in companies, as well as receivables due from these companies. Therefore, for a slight absolute increase of €3 million on completion of the construction of the new holding company building, the share of intangible fixed assets and property, plant and equipment represents only around 3% of total equity and liabilities, while financial assets and receivables due from affiliated companies amounted to €1,184 million (1,188), or 96% (96), of assets.

Financial assets decreased by €15 million year-on-year to €534 million (549) due to write-ups of €2 million on shares in subsidiaries as a result of write-downs on the Swedish subsidiary and the investment in Zimbabwe.

Receivables due from affiliated companies, on the other hand, increased. These rose from €639 million to €650 million. A large portion of this amount was due to receivables from domestic companies. The Group's financing company FUCHS FINANZSERVICE GMBH alone utilized €581 million (595) or 89% (93) of the total amount as of the end of the reporting period.

Holdings of cash and cash equivalents and current securities decreased year-on-year from €8 million to currently €0 million.

Equity ratio reduced as a result of share buybacks, but remains at a very high level at 95%

In June of the past financial year, FUCHS began a share buyback program under which by March 2024 at the latest, FUCHS will purchase up to 6 million shares, consisting of up to 3 million ordinary and up to 3 million preference shares, up to a total price of maximum €200 million will

Net assets and financial position FUCHS PETROLUB SE

	December 31, 2022		December 31, 2021		
	in € million	in %	in € million	in %	Change in € million
Intangible assets and property, plant and equipment	36	2	33	3	3
Financial assets	534	43	549	44	–15
Receivables due from affiliated companies	650	53	639	52	11
Cash and cash equivalents and current securities	0	0	8	1	–8
Other assets	13	1	8	1	5
Total assets	**1,233**	**100**	**1,237**	**100**	**–4**
Total equity	**1,174**	**95**	**1,217**	**98**	**–43**
Provisions	9	1	10	1	–1
Liabilities	50	4	10	1	40
Total equity and liabilities	**1,233**	**100**	**1,237**	**100**	**–4**

be acquired. Shares with a purchase price of €62 million, which corresponds to 1.6% of the share capital, had been bought by the balance sheet date of the reporting year. The shares acquired have not yet been cancelled, but the amount spent on the buyback to date, including transaction costs, of €62 million has been deducted from equity. As a result, FUCHS PETROLUB SE's total equity was reduced by €43 million to €1,174 million (1,217) despite continued retention. The equity ratio fell by 3 percentage points, but remains at a very high level of 95 % (98).

Only a small proportion of 1 % of the total assets is made up of provisions, a large part of which was variable remuneration.

The share buyback program and the price-driven build-up of holdings and receivables in operating companies financed by the parent company increased FUCHS PETROLUB SE's financing needs and caused the liabilities balance sheet item to rise by €40 million to €50 million.

FUCHS PETROLUB SE's off-balance-sheet contingent liabilities increased significantly compared with the previous year by €26 million to €106 million (80). They resulted entirely from guarantees in favor of affiliated companies or in favor of companies in which an interest is held.

Other financial obligations were not of any significant extend as at December 31, 2022.

Forecast report (separate financial statements)

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

Present planning anticipates a moderate increase in investment income for 2023. Accordingly, we also expect earnings after tax to be slightly higher than the 2022 level.

Unappropriated profits and dividend proposal

Based on the result under the German Commercial Code, in which unappropriated profits of €148 million (142) was reported, the Executive Board and Supervisory Board will submit a proposal to the Annual General Meeting that the dividends be increased by €0.04 per share over the previous year

- to €1.06 (1.02) per ordinary share entitled to a dividend and
- to €1.07 (1.03) per preference share entitled to a dividend

and to transfer the amount attributable to non-dividend-bearing ordinary and preference shares to retained earnings.

2.11 Non-financial Group declaration

Introduction

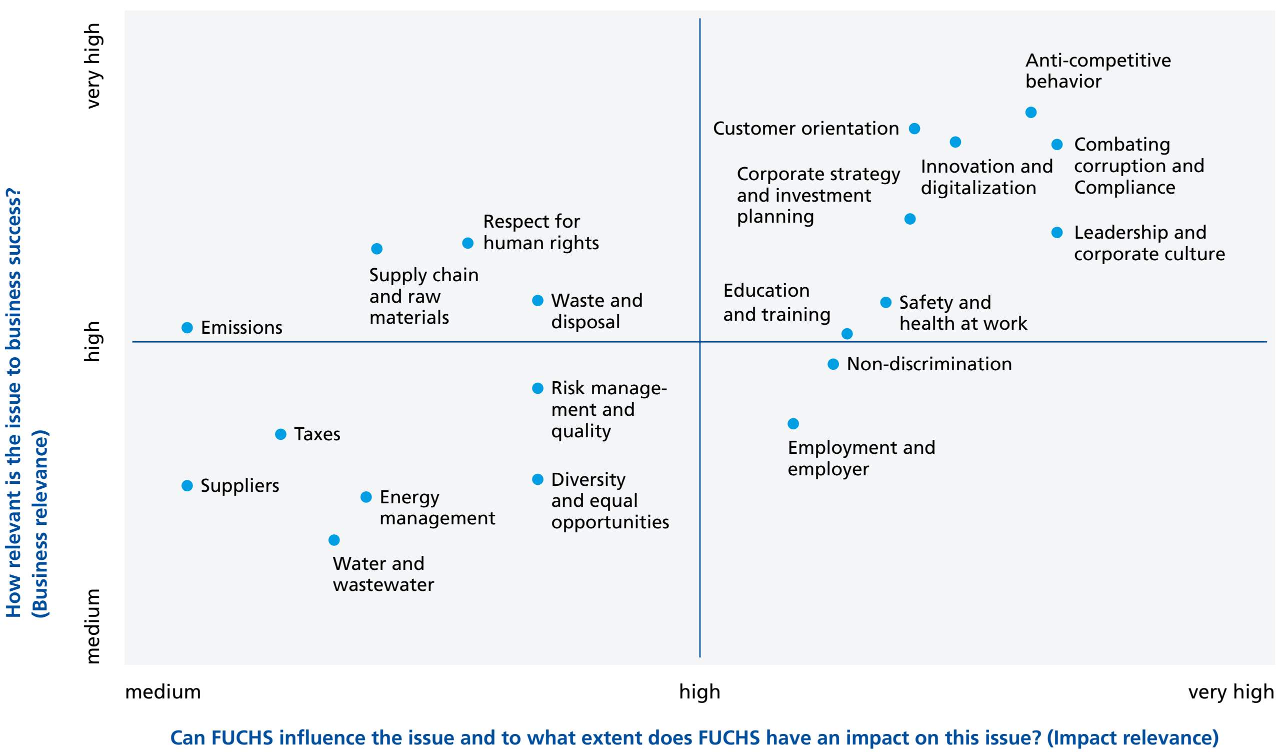
Pursuant to Sections 315(b) and (c) and Sections 289(b) to 289(e) of the German Commercial Code (HGB) respectively, the FUCHS Group (FUCHS) publishes a non-financial Group declaration (nfd). All information in the nfd applies to the Group. To avoid duplication in the combined management report, the relevant sections refer to further information in other sections of the management report.

For the first time – and as part of the broadening of the non-financial disclosure requirements, first implemented for nfd in 2021 – FUCHS, for the 2022 reporting year, is providing information on the implementation of the EU Taxonomy Regulation 2020/852 (hereinafter referred to as "EU taxonomy"). FUCHS is obliged to produce the nfd and thus, under Article 1 of the EU taxonomy, to meet the resulting requirements. Details on the EU taxonomy can be found at the end of the nfd.

The auditor's opinion on the group management report does not extend to the contents of the non-financial Group declaration (nfd). As in the prior year, the nfd was subjected to a business audit in accordance with ISAE 3000 (Revised) with limited assurance by Pricewater-houseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, (PwC). PwC issued an unqualified audit opinion. Notes referring to available information outside the combined management report are supplementary explanations and not part of the nfd or of the audit.

FUCHS has set up targets, measures and due diligence processes for environmental, employee and social concerns in addition to respecting human rights and combating corruption and bribery. The following nfd contains information provided by FUCHS on the non-financial aspects or these related matters.

Materiality matrix



In 2021, FUCHS conducted a comprehensive materiality analysis in order to identify the key topics (topics) for the non-financial Group declaration.

These topics were assessed with the involvement of the main stakeholders in FUCHS. For this purpose, the relevant stakeholders were identified by means of a stakeholder analysis. From a tentative list of potentially material topics, a short list was created based on an internal assessment of relevance to FUCHS, which was introduced into the FUCHS' stakeholder dialogue. The stakeholder dialogue was implemented using an electronic standardized survey and evaluated in a materiality matrix format.

A total of 20 topics were identified to which the dual materiality criterion applies according to business and impact relevance and which have a medium to high business or impact relevance in the materiality matrix. This extract from the materiality matrix is shown in the preceding diagram. → 86 Materiality matrix

The topics identified can be grouped as follows and largely form the breakdown for the nfd:

Contents of the non-financial declaration

Nfd-components	Topics
Introduction	
	Corporate strategy
	Risk management
Environmental concerns	Emissions
	Energy management
	Waste and disposal
	Water and wastewater
	Investment planning
Employee concerns	Employment and employer
	Education and training
	Leadership and corporate culture
	Safety and health at work
	Diversity, equal opportunities and non-discrimination
Social concerns	Supply chain, materials and (quality of) raw materials
	Taxes
Respect for human rights	
Combating corruption and bribery, anti-competitive behavior	
Technology and customer interests	Innovation and digitalization
	Customer orientation
EU taxonomy	

■ Key topics of the materiality analysis

The result of the 2021 materiality analysis was reviewed for appropriateness in preparation for the nfd 2022 and also serves as the basis for separate sustainability reporting. FUCHS is preparing for future requirements at European level, the Corporate Sustainability Reporting Directive (CSRD) and has therefore decided not to use a framework pursuant to Section 289d HGB for the creation of the nfd. However, FUCHS did produce its 2021 Sustainability Report for the first time in line with the Global Reporting Initiative (GRI) framework.

FUCHS produces lubricants and related specialties that are primarily used in customers' operations to ensure and improve problem-free functioning of machinery and equipment by reducing wear and friction and protecting against corrosion. High-quality lubricants help extend the service life of machinery and greatly increase its energy efficiency. FUCHS collaborates closely with many customers to develop customized products that are precisely tailored to the application so as to ensure optimal operation and minimize losses. Meanwhile, FUCHS also works closely with upstream suppliers to prepare individual lifecycle analyses covering the entire value chain. This method is to be developed in subsequent years in order to compare – in line with uniform standards – unavoidable emissions from the extraction and manufacturing process with the savings in the use phase, while at the same time accurately analyzing the impact on other environmental factors.

FUCHS assumes corporate and social responsibility. This responsibility comprises legal and socio-ethical aspects that FUCHS intends to adhere to while operating successfully as a company. FUCHS is committed to conducting business fairly and transparently, and behaves in a legally compliant manner in all countries in which the company operates. Further information can be found in the business model section. → 37 Business model

The FUCHS mission statement with the set of values – trust, creating value, respect, reliability and integrity – form the foundation and benchmark for the responsible conduct of FUCHS. The two core elements, mission statement and set of values, enable the organization to act target-oriented within a fair and transparent corporate culture.

To ensure future viability, sustainability is firmly embedded in the values of FUCHS. Taking social and ecological responsibility is part of FUCHS' corporate identity. Therefore the three sustainability dimensions of economy, ecology and society are core elements of good corporate governance for FUCHS. To FUCHS, sustainability also means constantly evolving and optimizing. FUCHS respects human rights and actively fights against corruption and bribery. Therefore business activities are also focused on the supply chain as a strategically important part of our business relationships.

The Executive Board lays down the basic principles for sustainable business at FUCHS, which are summarized in the form of a sustainability guideline. The Chief Sustainability Officer (CSO) appointed at the Group level accompanies the company-wide activities relevant to sustainable business, in particular ecological and social aspects. FUCHS has established a Local Sustainability Officer (LSO) at every national unit with production operations. These sustainability officers act as the interface for the Chief Sustainability Officer function and are available as points of contact in this regard. In 2022, Regional Sustainability Officers (RSOs) were also installed in two of FUCHS' three regional hubs to improve regional coordination and implementation of targets. The Executive Board defines the strategic framework for this purpose in close cooperation with the CSO. The sustainability network consisting of the RSOs and LSOs ensures information sharing within the Group along the value chain. Further information can be found in the Sustainability Report.
→ www.fuchs.com/sustainabilityreport

Corporate strategy

As part of the FUCHS2025 transformation program, the 2025 strategy, in which FUCHS sets out its plans and aspirations for the future, was published in 2020. The transformation program itself highlights the three dimensions of strategy, culture and structure, because FUCHS strongly believes that all three aspects must be in step with each other in order to achieve success in the long term.

The strategy is based on six strategic pillars. These serve as guidance for strategic action with the aim of fulfilling the "Being First Choice" vision for 2025. Specific strategic goals have been defined within each pillar. Even at the top strategic target level, the themes of sustainability as well as employees and organization are firmly anchored. This underlines the importance of environmental and social sustainability to the Group, but also the responsibility as an employer company towards employees and society. → 39 ff Group Strategy

The strategy is carried out by means of several implementation elements. On the one hand, strategy development and implementation are reflected in the holistic market segment approach adopted in customer and market-related activities. On the other hand, we have set up the Group-wide topic areas on a project basis as strategic initiatives with global, cross-functional teams. Firstly, this ensures that cultural, specialist, and market-specific viewpoints are incorporated in the implementation of the objectives. Secondly, important core elements of the strategy are addressed and managed with global projects.

In 2021, FUCHS strategically chose to have the company's sustainability development progress reflected upon and externally evaluated using the Carbon Disclosure Project (CDP) rating system. For this reason, FUCHS also completed the "Climate Change" and "Water Security" questionnaires for the Group in 2022 ("Forest" is not relevant to FUCHS' activities) and managed to achieve a rating of B– for both categories for 2022. This corresponds to the "management level" in CDP's classification and represents the second-highest rating class.

Risk management

As part of the existing risk management system, FUCHS considers and assesses the potential material risks associated with its business activities, its business relationships and its products and services that are very likely having or will have severely negative repercussions on the non-financial aspects. No reportable net residual risks within the meaning of Section 289c Para. 3 Nos 3 and 4 of the German Commercial Code (HGB) were identified for the year 2022. → 67 Opportunity and risk report

Environmental concerns

Emissions

Emissions are a key issue for FUCHS as a production company. As part of the annual Corporate Carbon Footprint (CCF) collection and accounting, direct and indirect emissions are captured and converted to CO_2 equivalents.

Currently, the collection of CO_2 emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard relates exclusively to the production and operations-related processes within the factories, also referred to as gate-to-gate scope. Firstly, Scope 1 emissions generated directly from FUCHS are included in the calculation. These include, for example, own heat generation, leaks in refrigeration systems, and the vehicle fleet. Secondly, (indirect) emissions generated in the production of purchased energy, such as electricity, steam and district heating, are covered by Scope 2. Other selected categories from Scope 3 are also part of the data collection and emissions calculation, to the extent that FUCHS can assign them directly to the business under the gate-to-gate scope:

- Category 3.1: Purchased goods. Here: Fresh water consumption
- Category 3.3: Fuel and energy-related emissions (not in Scope 1 and 2)
- Category 3.5: Waste generated in operations
- Category 3.6: Business travel
- Category 3.7: Employee Commuting

Scope 3 categories beyond this, such as emissions from purchased raw materials (upstream) (3.1) or generated in the use phase (downstream) or avoided emissions from customers are not included in the calculations, as they are outside the chosen gate-to-gate scope.

For some leased distribution sites, consumption-related emissions were partially extrapolated based on the leased space.

In addition to its efforts to continually reduce emissions, FUCHS compensates for its remaining emissions by purchasing climate protection certificates that meet certification standards, such as the UN GOLD standard or one of the VERRA standards.

In line with the triple-element "Avoid – Reduce – Offset" approach, the aim is to further cut down on generated emissions in order to gradually reduce future investment on climate mitigation projects that serve as offsetting measures. To achieve this and improve transparency even further, FUCHS is currently working to increase data quality and leverage emissions-related KPIs in operational units to optimize and reduce emissions.

FUCHS has set itself the goal of reducing its cradle-to-grave emissions to zero by 2040 ("Net Zero"). A concrete, data-based target development of this reduction path continues to be our clear goal, and we will complete this in 2023. The following emission categories are considered to determine the 2021 baseline:

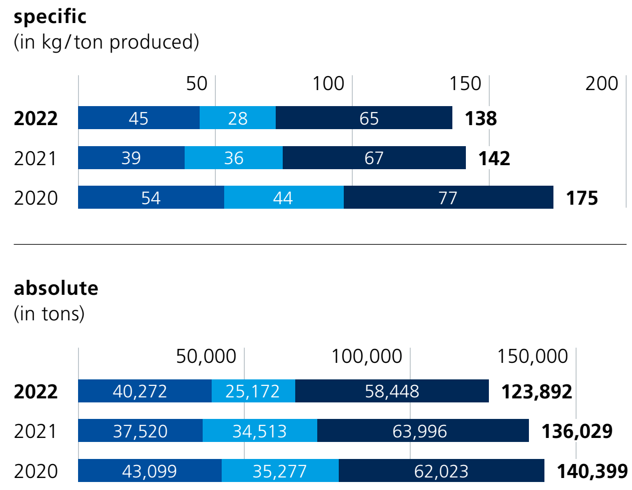
- Scope 1: Direct emissions
- Scope 2: Indirect emissions from purchased energy
- Scope 3
  - 3.1 Purchased goods and services
  - 3.2 Capital goods
  - 3.3 Fuel and energy-related emissions (not in Scope 1 and 2)
  - 3.4 (Upstream) transportation and distribution
  - 3.5 Waste generated in operations
  - 3.6 Business travel
  - 3.7 Employee Commuting
  - 3.12 End-of-life Treatment of sold products

The emission fields not mentioned in the above listing of Scope 3 categories were analyzed and found to be either non-material or irrelevant.

FUCHS generally wants to gradually increase transparency further in the capture, calculation and offsetting of emissions and, in the long run, expand the calculation of emissions from a gate-to-gate scope (since 2019) to a cradle-to-gate scope (planned for 2025). This is to be done by including further GHG Scope 3 emission categories, particularly the category 3.1 "purchased raw materials" (upstream). In order to build the (primary) database needed to do so, we have been requiring our raw material suppliers to provide Product Carbon Footprint (PCF) data on sourced raw materials since 2022. In order to achieve comparability of raw material data, FUCHS produced and published a methodology document for calculating PCF in 2022. All suppliers are required to provide PCF data in line with this methodology. The PCF methodology document was reviewed by German Technical Inspection Association TÜV Rheinland in 2022. → www.fuchs.com/group/product-carbon-footprint

Absolute gate-to-gate CO_2 emissions[1] from FUCHS companies[2] were reduced in 2022 by nearly 9% compared with the previous year, based on production volume that was down 6%. This reduced specific emissions (emissions per ton produced) by 3%.

CO_2 emissions ("gate-to-gate")



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

Basis: CO_2 emissions of FUCHS production, sales and holding companies (without offsetting for certificates of origin for "green electricity").

[1] Estimates have been made for average distances attributable to official travel and employees commuter traffic, as well as for the number of actual days worked on site.
[2] Fully consolidated production, distribution and holding companies.

For the year 2023, FUCHS has also chosen to voluntarily offset the remaining emissions by purchasing climate protection certificates, in addition to the emissions savings achieved. The offsetting of emissions for a financial year is based on the previous year's[1] "gate-to-gate" emissions less the credit for certificates of origin for "green electricity" in Europe and offsets already made by the supplier for eco-gas. Thus, the amount of emissions to be offset was 128,316 tons for 2022, a fall of 8.4% compared to the previous year. FUCHS will retire climate protection certificates to compensate for this amount. As a result, for the third consecutive time, FUCHS has achieved its goal of continuously reducing voluntary offsetting benefits, managing a drop of 15.3% since 2019.

In preparation for extending the neutrality scope to "cradle-to-gate" in 2025, in 2022 FUCHS for the first time retroactively determined the upstream supply chain's Scope 3 emissions for the year 2021. Those include, in addition to the previously reported Scope 3 emissions in the gate-to-gate scope, primarily purchased raw materials and packaging (3.1, 3.2 & 3.4). The assessment of packaging and raw material emissions is subject to inaccuracies, as FUCHS does not receive accurate data from most suppliers on the PCFs of materials purchased. In the absence of such data, generally available approximations from public databases and sources were used. Taking these uncertainties into account, the upstream supply chain (cradle-to-FUCHS-inbound-gate) Scope 3 emissions for 2021 were determined at 1.9 million tons of CO_2 equivalent[2]. These emissions are not currently part of FUCHS' voluntary offsetting, as they exceed the gate-to-gate scope currently chosen.

An assessment of upstream value chain Scope 3 emissions for the year 2022 could not be completed prior to the publication of this report, but will be conducted in 2023.

The switch in 2021 to the quarterly collection of emissions-related environmental KPIs for all sites helps FUCHS to increase data quality and make these indicators trackable and usable in a timely manner for optimization at the company sites.

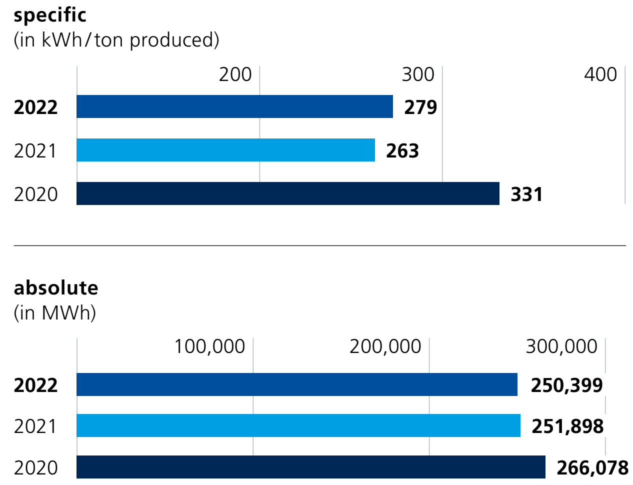
Energy management

Responsibility for energy management and consumption lies with the FUCHS companies. This requires setting and pursuing individual objectives based on local circumstances. FUCHS has decided to use the ISO 50001 energy management standard as a tool to record, monitor, and reduce its energy consumption. To do this, FUCHS is working on a plan to have its main plants certified in line with ISO 50001. Currently, six production sites in the EMEA region are ISO 50001-certified. These companies consume 32% of the energy used in the FUCHS Group.

[1] The compensation is made for all FUCHS companies, holding companies and joint ventures.

[2] The calculation and thus the amount of CO_2 equivalents was not part of the audit by PwC.

Energy consumption



Basis: CO_2 emissions of FUCHS production, sales and holding companies (without offsetting for certificates of origin for "green electricity").

In addition to energy saving through rigorous energy management, the switch to electricity from renewable sources ("green power"), in-house production of electricity, and the use of waste heat from production processes form part of this management approach.

As a manufacturing company, FUCHS will always have an external energy requirement. To reduce energy-related emissions, FUCHS is working on progressively switching its power supply to “green power”.

To reduce its external energy requirement, FUCHS is also focusing on expanding its in-house energy generation capacity, for example through solar power installations. For example, ten FUCHS sites already have such installations on their buildings, generating in total 2,033,308 kWh of electricity in the 2022 financial year.

In addition, FUCHS uses waste heat from production to heat plants or buildings in pilot and new construction projects.

The absolute energy consumption of FUCHS companies was slightly reduced by 0.5 % in 2022 compared with the previous year, with an almost 6 % decrease in production volume. This increased the specific energy consumption (energy consumption per ton produced) by almost 6 %. The increase in specific energy consumption can be explained by investments in higher production capacities and the associated non-production base load.

As in the previous year, the European sites were supplied with energy in 2022 through the acquisition of certificates of origin for renewable electricity from wind power (“green electricity”). This tool will be used until all sites and locations are able to sign direct “green power” supply contracts with their energy supplier. In this way, CO_2 emissions were reduced by an additional 4 % in 2022.

New solar installations with a total peak power capacity of 181 kW have been added at the sites in Lviv in Ukraine, Kungsbacka in Sweden, and Johannesburg in South Africa. The new workshop building in Mannheim, built in 2022, was also equipped with a solar system for self-supply, but was not yet connected to the grid in 2022. The new workshop building will be heated using waste heat from steam condensate resulting from production. A district heating connection serves only as a backup supply.

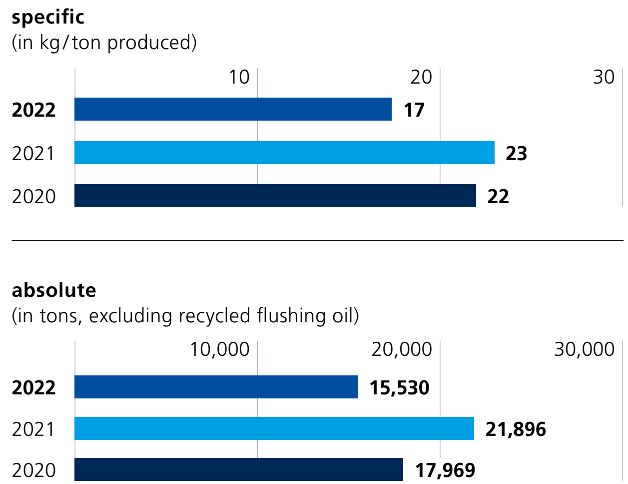
The new, energy-efficient holding building in Mannheim, obtained in April 2022, is equipped with a solar system that will be likewise connected to the grid in 2023. In addition, the new administrative site is equipped with approximately 100 charging stations for electric vehicles, which can be used by employees for both business and private vehicles.

The existing solar system at the Wedel, Germany site has more than doubled its peak power from 78 kWp to 177 kWp.

In 2022, the photovoltaic peak power installed at FUCHS sites worldwide amounts to 1,985 kWp.

Waste and disposal
Waste management is the responsibility of the individual FUCHS companies. This requires setting and pursuing individual objectives based on local circumstances. In 2022, the CO_2 equivalents generated by the disposal of waste during the production of the lubricants accounted for a large share (21 %) of the chosen gate-to-gate Scope 3 emissions. In order therefore to achieve the overall goal

Waste generation



Basis: Waste generated by FUCHS production, sales, and holding companies.

of continuously reducing "gate-to-gate" emissions, a focus on effective waste management is essential.

Investment in modernizing plants is also made with the aim of reducing flushing oils used in plants, thus making them more resource-efficient. For example, in the new polyurea grease production plant in Kaiserslautern, an innovative flushing concept has been implemented that completely prevents the occurrence of flushing oil waste during continuous production of the same product and reduces the occurrence of flushing oil by at least 60 % during product changes.

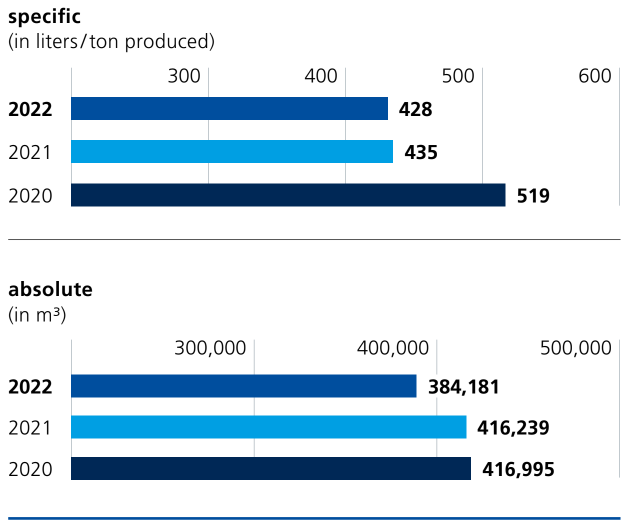
Absolute waste generation of FUCHS companies decreased disproportionately by 29 % year-on-year in 2022 with a 6 % decrease in production volume. This was partly because the dismantling of the Swedish plant in Nynashamn, which was included in the previous year's figure, has been completed. The associated waste volumes had led to a noticeable increase of absolute waste generation in 2021, which in 2022 fell well below 2020 levels.

As a result of this reduction, the specific waste volume (waste volume per ton produced) also decreased by 25 % year-on-year.

Water and wastewater

Each of the FUCHS companies is responsible for its water management. Water and wastewater account for only a small share of FUCHS' gate-to-gate emissions, at 0.2 %.

Water consumption



Basis: Water consumption of FUCHS production, sales, and holding companies.

Only a small proportion of the product range uses water as a raw material.

There is no global target for water consumption. With new plant buildings, care is taken to keep drinking or groundwater consumption as low as possible. Depending on local conditions, efforts are made to use rainwater and reduce wastewater.

The reported absolute water consumption of the FUCHS companies fell by 8 % in 2022, a year where production volume decreased by nearly 6 % compared with 2020. As a result, the specific water consumption (water consumption per ton produced) was reduced by 2 %.

15 % of the Group-wide water consumption at FUCHS was met by using collected rainwater or surface water. FUCHS also focuses on the amount of wastewater. For example, the new plant in Wujiang, China, operates a wastewater evaporation system to reduce discharged wastewater volumes and associated costs and to avoid overloading the local wastewater system.

Investment planning

The multi-stage collaborative planning process has been used with regard to specific capital asset planning (construction of new plants and other major investments). This ensures that the broad experience available in the area of operations/supply chain is exploited in the planning of new projects. As part of the regional investment planning workshops, all major supply chain investment projects were clustered to determine whether they contribute to our sustainability goals. The aim is to further develop and formalize this approach in the future.

FUCHS' production locations are mostly based in purely industrial zones or business districts. In planning and operations, FUCHS is guided by internal and external environmental and safety regulations.

Employee concerns

The foundation of sustainable human resources management is a modern leadership and corporate culture. This will enable important projects in employment conditions, further training, health and safety at work, diversity and equal opportunities to be implemented and anchored.

Employment and employers

The company is systematically pursuing the goal of striking a balance between the Group's business interests and the private and family needs of employees. Flexible working time models are an important part of this. In addition to traditional flextime models, flexible part-time options are also available in Germany, ranging from 15 to 32 hours per week, which can also involve job-sharing or shift work. The flexible home office arrangements tested in the pilot project have now been transferred from a pandemic emergency option into actual practice and integrated in the interest of self-determined work and in keeping with the agreement of personal flexibility. The increasing shortage of specialists means that it is vital for FUCHS to get young parents in particular back to work quickly. More and more fathers also wish to spend precious time with their children and therefore take parental leave. FUCHS facilitates this by offering part-time working hours during parental leave, for instance. Also, individual part-time programs have increasingly been flexibly adapted to changing individual needs and working hours have been modified. Moreover, the promotion of daycare and covering of holiday periods, for example through subsidized holiday programs, is increasingly being sought by applicants and will therefore continue to gain importance in the future.

Education and training

Alongside vocational training, needs-driven continuing professional development remains the foundation for developing specialist personnel and high potentials. To meet these needs more specifically and in a more forward-looking manner in future, further progress on the establishment of a structured, global personnel development program was made in 2022. The global staff development strategy has been expanded to include digital skills needed which will be re-launched next year. As part of general professional development, topics such as the Code of Conduct, Compliance and IT tools through to specific knowledge relating to FUCHS were offered in addition to basic technical subjects relating to lubricants. More up-to-date content was added to the “Onboarding Program”, ensuring that new employees understand the context in which they are working. New employees have the opportunity in their own training area to gain knowledge about FUCHS and the corporate culture in various different learning phases and topic areas. This enables employees, especially new hires, to acquire knowledge that applies worldwide to our business and how we work together, in the spirit of ACT GLOBAL, regardless of the site at which they are based.

The management-level pilot program, launched as part of the FUCHS2025 strategy to highlight the role of managers in transformation and developing company culture, was extended and adopted as standard. Due to its success, the program will be rolled out worldwide by in-house trainers in 2023. For the onboarding of new managers, the existing Executive Program has been expanded by adding elements from FUCHS2025.

As part of the e-learning strategy set out in 2020, the entire spectrum of training courses continued to be offered across borders and time zones, ranging from specialized training to culture-related topics. In addition, so-called learning pathways have been developed. In future, these will be covered by the integration of external training content.

Traditional classroom training will still be offered in the future by the FUCHS ACADEMY. As a global training institution, the FUCHS ACADEMY regularly offers a wide range of technical and specialist seminars and provides our sales experts, for instance, with sound background knowledge of the products and their applications. In 2022 the trainers' network was given new impetus through joint workshops and collaborative exchanges. The FUCHS ACADEMY is also a very popular learning platform for junior staff and employees with high potential, which helps to secure the continuous and targeted further development of employees. New in-house trainers from special disciplines such as product management, quality management, research and development and the divisions were recruited and received substantial training, enabling them to create their own training concepts independently and provide them in virtual as well as in-person formats.

Some of the projects of the HR initiative under FUCHS2025 were concerned with the development of junior staff. For this purpose, the global talent management strategy has been completely revamped and relaunched. Regarding global talent management, the new entrants were selected using updated evaluation criteria and their continuing professional development was started. In addition to the new selection criteria, the core competencies and leadership behaviors have also been integrated into the program. A recommendation concept for local talent was adopted for implementation in the countries and regions. This, too, includes competencies required by managers in a changing world. At the same time, in another project, guidelines were created to help sites plan and budget for continuing professional development in accordance with defined criteria, which were deployed for the first time in 2022.

In light of the global structure of the Group organization, intercultural competence is a key success factor for staff. These competencies can be developed in day-to-day practice through increased networking and international exchanges. The aforementioned measures are complemented by language courses. FUCHS thus ensures that English, the Group language, forms a reliable basis for the exchange of knowhow.

FUCHS has set itself the goal of investing significantly in the establishment and development of employee competencies. To this end, a KPI in the area of sustainable professional development for employees has already been adopted. Each employee's professional development hours are now recorded, reported and tracked worldwide using an improved system, in accordance with a guideline with precise definitions. For 2022, the KPI was gathered for the first time in the new structure and is considered as the baseline for the coming years. KPI-based tracking ensures that professional development activities are more transparent, making it easier to identify areas where improvement is required. Following the introduction of the improved fundamentals in 2022, in future, an annual target achievement analysis will be produced based on ambitious medium-term targets.

Leadership and corporate culture

An essential element of the FUCHS2025 strategy is culture development within the company. This involves the further development of a culture encompassing the increasingly agile market environments and requirements for future business success. The two key elements here are an actively practiced open feedback culture and hierarchy-free communication. Employees are called upon to see themselves as a self-responsible element that is part of one "great whole" and to actively engage in line with the globally defined competencies. These include creative drive and initiative, an agile mindset, application of critical thinking in all activities, the development of communication skills, and collaboration and teamwork. The goal of the above mentioned "whole" is to sharpen customer focus so that internal and external customers receive services and products geared to their needs. In collaboration with the supply chain division, the competency model for the production division has been designed via a bachelor's thesis dealing with facilitative and obstructive behaviours in collaboration and teamwork. The goal is to jointly achieve the best possible results for the customer. To develop the culture, it needs managers who are aware of their role model function and therefore lead by example. To ensure clarity regarding the requirements for managers with regard to the transformation, their role has been more sharply defined in leadership behaviors. Managers encourage and promote change, are role models and make the essential decisions to drive change processes and cultural development forward. Clear communication and identifying with change is just as much a part of their tasks as actively keeping up with change by maintaining the necessary activities within the organization.

Safety and health at work

Workplace safety is of great importance to FUCHS. The company is subject to various national and international regulations on occupational health and safety at its different locations. The respective applicable occupational health and safety provisions form the minimum standard for the measures to be implemented.

The entire FUCHS workforce is informed at least once a year of the laws, regulations and internal occupational health and safety guidelines relevant to them and are instructed to comply with them.

Each FUCHS company's training plans to be prepared annually also include statutory recurring training or instruction in occupational health and safety. If the training is not completed or not completed on time, appropriate corrective measures are taken.

Particular focus is placed on the issue of safety in the sense of "awareness" in order that unsafe conditions and behaviors can be identified and rectified at an early stage to avoid serious accidents.

Suggestions for improvement in terms of health and safety from employees are encouraged.

In 2022, there were a total of 12 notifiable occupational accidents in the FUCHS Group with more than three absence days per 1,000 full-time employees. FUCHS is aiming to reduce the number of notifiable occupational accidents by 5% every year on a continuous basis. Unfortunately, this goal was not achieved in 2022. The analysis showed that the majority of accidents were caused by inattention and unsafe behavior. Therefore, in 2023 the focus in the area of occupational safety will be on additional safety instructions and regular safety inspections. These remedial measures are intended to help achieve the target in 2023.

As of the end of 2022, 13 out of a total of 25 manufacturing companies worldwide were certified in line with the ISO 45001 standard for occupational health and safety. This represents 52% of all manufacturing companies, a 2% increase year-on-year. FUCHS plans to continue increasing the number of certified manufacturing companies by 2% annually.

Occupational health management now includes training in areas such as load handling, skin protection, and ergonomics at computer workstations. Influenza vaccinations, which have been offered for many years, were also increasingly used by employees in 2022. In addition, FUCHS encourages initiatives from employees to play a variety of sports together and also set up partnership arrangements with fitness clubs. These will be stepped up again and used actively once the pandemic situation has improved. Some offerings, such as yoga, have also in some cases been moved online.

The crisis teams set up to collaborate closely with the operational health service and with the company doctors and respective site management in order to contain the effects of the Covid-19 pandemic were maintained and continued again in 2022. The hygiene concepts have been accordingly adjusted to the changing pandemic situation. Training on correct conduct during the pandemic, the distribution of necessary protective equipment, and the change in work models during critical phases of the pandemic, e.g. by reducing presence in the rolling system and rearranging shift models, made a significant contribution to keeping the number of infections at FUCHS very low. At some FUCHS sites, centralized vaccinations against Covid-19 were also provided to protect employees in a timely manner. The aim of these protective measures has been to best protect employees and to minimize the risk of death and illness in the working environment, and has largely succeeded in this.

Diversity, equal opportunities and non-discrimination

To FUCHS, a responsible HR policy means equal opportunities and strictly prohibiting discrimination. FUCHS supports the International Labor Organization's Declaration on Fundamental Principles. These include freedom of association, the right to collective bargaining, the elimination and prohibition of forced and child labor and the prohibition of discrimination in employment and occupation. FUCHS does not tolerate any form of discrimination and, within the framework of the respective statutory provisions, is committed to upholding the principles of equal opportunities when hiring and promoting employees. Furthermore, FUCHS respects employees' rights to equal treatment, regardless of their race and nationality, religion or belief, gender or sexual orientation, political or trade union activity, age, illness or disability, or other personal characteristics. FUCHS takes into account peoples' disabilities and creates an environment in which they can use their skills in the business.

FUCHS ensures a non-discriminatory working environment and actively promotes the various aspects of diversity. The integration of different nationalities is a matter of course for the company. As part of globalization, colleagues from the sites are increasingly motivated to apply internally for vacancies abroad. Vacancies are posted internally through the Human Capital System, and accessible to all employees. By focusing job searches on factual expertise, experience and in behavioral terms on the globally binding core competencies model, the selection criteria for internal candidates is made as transparent as possible and is materially scrutinized by means of the new competency-based interview techniques and process, thus minimizing any possible discrimination through objectification. For example, FUCHS ranked first out of the 100 largest listed companies in the BCG Gender Diversity Index in 2022.

Since its establishment, FUCHS PETROLUB SE has been part of an initiative of German economic leaders that presented a Code of Responsible Conduct for Business under the patronage of the Wittenberg Center for Global Ethics. As a subscriber to the model, the Executive Board is committed to a success-driven and value-oriented system of corporate governance in the sense of the social market economy. This includes fair competition, a social partnership, the performance principle and sustainability.

We consider mixed management teams to be a significant strengthening of our company. For this reason, FUCHS also places particular emphasis on the targeted support of women and ensure that appropriate consideration is given to them when filling management positions in the company. As in the previous year, women accounted for 26 % of the total workforce. The share of women in management positions remained stable at 24 %.

The key social indicators relating to employee concerns are shown in the adjacent table.

Almost all social indicators remained largely unchanged compared with the previous year. Employee turnover increased from 5 % to 7 % in 2022 due to increased competition for specialists and a generally increased turnover in the coronavirus crisis.

Social indicators

	2022	2021
Average age of employees in years	43	43
Age structure of employees in %		
< 30 years	14	15
31 – 40 years	28	28
41 – 50 years	27	27
> 50 years	30	30
Average length of service of employees in years	10	10
Employee fluctuation[1] in %	7	5
Work-related accidents[2] per 1,000 employees	12	10
Days lost due to sickness per employee	10	9
Proportion of women in management positions in %	24	24
Average further training and education per employee in hours	13	12

[1] Share of employees leaving the company voluntarily.
[2] Number of accidents with more than three absence days.

Social concerns

For FUCHS, social acceptance is a key requirement for economic success. Many of our FUCHS companies have deep roots in their regions. The company sees itself as a partner in these regions, and takes part in educational and cultural initiatives and cooperation partnerships. In addition, FUCHS supports numerous social projects and non-profit organizations through the FUCHS Sponsorship Award.

Further information can be found in the Sustainability Report. → www.fuchs.com/sustainabilityreport

Supply chain, materials and (quality of) raw materials
The manufacture of these products involves a large number of externally procured raw materials from renewable and fossil sources. A competitive and reliable supply of raw materials, services and technical goods is ensured by close, open, and transparent cooperation with suppliers. The aim is, in collaboration with suppliers, to continuously drive transparency and sustainability all the way along the supply chain. To achieve this, a binding supplier code of conduct has been created. This is based, inter alia, on the principles of the UN Global Compact and explicitly formulates FUCHS' expectations of its suppliers. FUCHS calls on its suppliers to recognize the supplier code of conduct and ensure that they comply with it along the value chain. Furthermore, only raw materials that comply with all applicable EHS regulations (environment, health and safety) are used. Interdisciplinary teams of experts work continually together with the suppliers to utilize alternative raw material solutions from renewable sources, thereby gradually reducing the use of fossil-based raw materials.

Raw materials are key to ensuring the consistent quality of the products, and therefore the ongoing maintaining and monitoring of raw materials and supplier portfolios plays a vital role. Both supplier management and raw material procurement are organized and carried out in line with standard global Group specifications.

In 2022, we made a major change to the purchasing organization with the aim of improving expertise in the markets. To this end, we have introduced a category structure, which replaces the existing lead-buyer concept. In addition, we have established regional structures in the three world regions EMEA, Asia-Pacific and North and South America to monitor and process the regional markets.

As part of its active supplier management, FUCHS evaluates all its strategic raw material suppliers every year. The supplying companies are asked to self-assess issues such as quality, pricing and sustainability. In addition, various functions within FUCHS also carry out a systematic and transparent evaluation. If this comparison finds room for improvement or expectations that have not been fulfilled, clear action plans are agreed at regular intervals with the relevant companies and a strict follow-up process conducted at regular intervals is established to ensure these have been implemented. The demands made by FUCHS regarding compliance, the barring of discrimination and child labor, and with regard to compliance with laws and recognized labor and environmental standards are part of the supplier code of conduct, delivery conditions and annual assessment of strategic suppliers. FUCHS is conscious of the responsibility it has as a leading independent lubricants company, and promotes efforts to develop industry sustainability standards in the lubricants sector via various working groups and committees in national and Europe associations. For example, FUCHS chairs the Sustainability Committee of UEIL (Union of the European Lubricants Industry), which aims to develop and adopt, among other things, uniform standards for calculating the Product Carbon Footprint (PCF) by 2023. This is particularly important because FUCHS can only calculate the PCF for its products in a meaningful way if the suppliers for the raw materials supplied to FUCHS calculate the respective PCF in a comparable way and based on uniform standards. By combining direct actions in its own supply chain and indirect actions through collaboration in various working groups, FUCHS supports social sustainability criteria and ethical behavior along the value chain of the lubricant industry.

FUCHS produces almost none of its own raw materials. As a result, most greenhouse gas emissions associated with the products are not produced on the company's directly controllable premises ("gate-to-gate"), but instead further upstream in the supply chain at the raw material suppliers. Accordingly, FUCHS has been working in partnership with its strategic suppliers for several years, for example, to meet expectations with a view to a stage-by-stage recording and communication of greenhouse gas emissions caused by suppliers. As a result, the importance and requirements in the strategic supplier assessment are also gradually increasing in terms of sustainability considerations. As part of last year's strategic supplier assessment, more than 35 % of strategic suppliers have improved their sustainability rating compared with the previous year, despite tightening of the criteria.

Also in the fiscal year 2022, FUCHS, together with selected partners, also identified more products and packaging in further pilot projects to all be quantitatively assessed in terms of their ecological sustainability in comparison with standard products over the entire life cycle. The results of these studies are expected in the course of 2023. Work in the coming years will continue aiming to present these analyses in quantitative, as opposed to qualitative, terms for the entire portfolio. In 2022, FUCHS succeeded in supporting the goal of sustainability in individual regions by converting different packaging to more sustainable alternatives. For example, in addition to the introduction of new HDPE containers with recycled content, positive results have been achieved, especially in the case of steel packaging, through the saving of material.

As part of supply chains, FUCHS has already been actively involved in the German Supply Chain Act (LkSG). With an implementation commitment by January 1, 2024, FUCHS already sees an obligation to begin preparations for implementing due diligence obligations.

For this purpose, a cross-company task force has been set up at FUCHS to actively address and deal with the law, due diligence and related tasks. Since FUCHS has already implemented activities and processes in these areas, it is important to examine the existing processes for potential improvement and to introduce further processes. In this context, various events were attended and initial workshops held to raise awareness of the project among the relevant internal stakeholders. Our business partners and suppliers have been made aware of the upcoming law and the requirements for a FUCHS partner through a new edition of the FUCHS supplier sustainability letter.

In order to identify, assess and avoid human rights and environmental risks and violations within our own operations and supply chains, as a first step we have developed a risk analysis. We are aware that risks and violations can occur at different levels, such as the country, industry or commodity level. The complexity of the supply chains, the potential risks and the monitoring obligation led us to decide to draw on external expertise by using a cloud-based INTEGRITY NEXT platform.

In addition to the digital solution, we also see huge potential in sharing and collaborating with other companies. This is why we are actively involved in the Automotive Industry Dialogue, a multi-stakeholder initiative of which we are a member.

Taxes

FUCHS PETROLUB SE's corporate tax department advises the Group management and local management on tax matters and reports directly to FUCHS' Chief Financial Officer. Tax department staff have the necessary professional qualifications, and these are regularly updated through external training. FUCHS is assisted by external tax advisors in the assessment of tax matters and in the determination of tax positions as well as its tax return. FUCHS pays taxes in the countries it operates in. It is the responsibility of local management to submit tax returns correctly and on time, as well as to pay taxes in full and on time, and is an expression of responsibility to stake-

holders in the respective countries. In this context, national legal provisions and relevant case-law each form the legal framework. Some tax regulations leave room for different interpretations. If FUCHS represents a tax position that differs from the interpretation of the tax authorities, FUCHS shall disclose this to the tax authorities in a transparent manner. Tax strategies aimed at tax avoidance are strictly rejected. Business decisions and operational structures are based on economic considerations rather than the objective of generating any tax benefits. As an indication of this, the tax rate can be taken as the quotient of income taxes in relation to the earnings before taxes of the FUCHS Group adjusted for the at equity result, in the amount of 27.9% for 2022 (29.8%). FUCHS aims to achieve a high level of transparency and legal certainty in tax matters. Respectful and open communication is maintained with the relevant authorities worldwide.
→ 55 Results of operations

Respect for human rights

For FUCHS as a responsible company, observance of human rights is an essential part of business ethics. It forms the basis of all its business activities and therefore also includes relationships with customers, suppliers, and other business partners as a matter of course. The FUCHS Code of Conduct, which was last updated by the Executive Board in the financial year 2022, is a material expression of this lived understanding of values within the Group, and is the guideline for safeguarding our human rights due diligence obligations. In accordance with the Code of Conduct, FUCHS respects and considers human rights and supports the United Nations Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration of Principles, and the sustainable and responsible corporate governance initiative (UN Global Compact). These include freedom of association, the right to collective bargaining, the elimination of forced and child labor, and the prohibition of discrimination in employment and occupation. The Code of Conduct is publicly available on the FUCHS website and has been assigned to all employees worldwide through the e-learning tool for the purposes of self-study. In its global purchasing conditions, FUCHS obliges its suppliers to adhere to the ten principles of the UN Global Compact as well as the four basic principles of the ILO. The five FUCHS values – trust, creating value, respect, reliability and integrity – are the foundations of the Group's business activities and an essential element of FUCHS2025, the key strategy for FUCHS. The Modern Slavery Act Statement submitted each year in the UK underscores FUCHS' unconditional commitment to preventing the criminal exploitation of human labor, for instance in the form of human trafficking, forced and child labor and slavery, beyond its own operations and in its supply chain as well. FUCHS ensures respect for human rights in the upstream value chain at its suppliers by means of contractual agreements, self-regulatory declarations by the supplier and on-site audits. Potential violations can be reported anonymously by any person via an electronic whistleblower platform accessible to the public through the FUCHS website. Any such information is followed up as part of our internal investigations. In 2022, we received no indications of human rights violations.

Combating corruption, bribery and anti-competitive behavior

In competition, FUCHS relies on the quality and intrinsic value of its products and services. The FUCHS Code of Conduct, together with the Anti-Corruption Policy and the Antitrust Policy – the latter having been updated in the 2022 financial year – contains binding guidelines to prevent corrupt or anti-competitive conduct of any kind and assists all employees in complying with laws and regulations to prevent corruption, bribery and anti-competitive conduct. It aims to ensure that neither employees of FUCHS nor business partners or officials allow themselves to be influenced by unlawful and inappropriate conduct in their business decisions. The aim is also to ensure the proper conduct of FUCHS employees in line with the antitrust law requirements.

FUCHS has set up a Compliance Management System (CMS) that comprises the entire Group and that is based on the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to compliance management systems (IDW PS 980). Important components of the CMS are the establishment and dissemination of a suitable compliance culture by the Executive Board of FUCHS PETROLUB SE and the managers of the FUCHS Group, the Group-wide compliance organization and a compliance program geared to adequate and effective measures, e. g. in the form of consulting, training courses, information events, an electronic whistleblower platform for employees and business partners, and other measures and processes derived from the compliance guidelines.

The company's compliance organization has developed various objectives to be achieved with the Group's CMS, based on the risks and regulations that are of particular importance to FUCHS. At FUCHS, one of the primary goals of the CMS is the prevention, detection, and sanctioning of violations of the law and misconduct, including corruption and bribery as well as anti-trust law violations. The guidelines and accompanying materials are available to all employees of the FUCHS Group on the intranet. The Code of Conduct is publicly available on the FUCHS website.
→ www.fuchs.com/group/code-of-conduct

FUCHS has implemented a centralized and decentralized compliance organizational structure. Belonging to the centralized organization are the Chief Compliance Officer (CCO) and the Group Compliance Committee (GCC). The decentralized compliance organization is represented by the Local Compliance Officer (LCO) appointed in each Group company and the appointed Regional Compliance Officer (RCO). In communicating and consolidating the culture of compliance, the Executive Board and senior management play a leading role and act as role models. Compliance objectives are communicated through various channels such as the Code of Conduct, policies and guidelines, training, the intranet and other information. Implementation is carried out by the Group-wide compliance organization, managed by the CCO together with the GCC.

The Executive Board continuously monitors and reviews the quality of the CMS, decides on how to deal with the findings from the risk analyses and compliance investigations, and consults regularly with the Supervisory Board and the Audit Committee. The Executive Board continues to develop the CMS and ensures that identified weaknesses in the CMS are addressed through appropriate action. These measures can include both procedural and organizational adjustments to the CMS. Violations of compliance stipulations pose a threat to key success factors for FUCHS and are not tolerated. Potential compliance violations are identified and resolved as part of the defined compliance process. All employees are required to report potential compliance violations. Any identified violations are sanctioned appropriately, with the specific sanction dependent, among other things, upon its nature, severity, duration and degree of culpability. Sanctions can be imposed to the full extent permitted by law, including extraordinary termination of employment, claims for damages and criminal charges.

The most effective measure in ensuring a functioning CMS as well as eliminating its possible weaknesses is to educate and train employees on the relevant compliance topics. With a view to combating corruption and bribery, all managers as well as FUCHS employees from relevant fields are required at all Group sites worldwide to provide basic compliance training through online training. This training must be repeated every three years. In addition, the FUCHS Group provides online further training in the areas of corruption prevention and fair competition. The global target group of these repeated and additional training courses every two years consists of the senior management levels as well as all sales and procurement employees. These training courses are available in all relevant Group languages.

To monitor the functionality and adequacy of the CMS, FUCHS assesses the level of information of employees on the compliance fields that are relevant to them. This measures the extent to which employees have successfully completed the training they need in the areas of compliance relevant to them. The aim is to educate as many of the company's employees as possible about the compliance fields of relevance to them in each case. Besides basic training sessions on compliance, training in compliance areas such as prevention of corruption and compliance with anti-trust law is also paramount. Measurement is carried out by determining the rate of e-learning and other compliance training delivered by the respective defined target group by the reporting date. At the end of the financial year, a training rate of 83% was achieved in the aforementioned online training courses.

A further measure is the continuous performance of compliance risk analyses on which basis any need to amend the CMS is identified. A business-related risk assessment of the relevant compliance areas up to the level of the individual Group company is the basis for the regular analysis of compliance risks. Relevant data from third parties, such as the Corruption Perception Index (CPI) issued by Transparency International Germany e.V., may also be used to assess risks. This indicates that the main risk areas for the CMS include the risks of violations against anti-trust law and against the prohibitions of corruption and bribery.

When integrating newly acquired companies and businesses into the FUCHS CMS, the objective is to swiftly integrate the acquisitions into the compliance processes relevant to them and the company's risk evaluation.

Internal Audit reviews the functionality and adequacy of the CMS, both in the form of regular and ad-hoc audits. Further information on the CMS can be found in the unaudited Declaration of Corporate Governance.

→ 114 Declaration of Corporate Governance

Technology and customer interests

Innovation and digitalization

Innovation and digitalization are seen as great opportunities for the sustainable and positive development of the Group. Drivers and focus areas in this regard differ from one region to another. To make the most of the opportunities that this offers, FUCHS is leveraging its global position and strengthening regional structures, especially in the three centers of Mannheim (Germany), Chicago (USA) and Shanghai (China) in the area of research and development and digitalization – two key cornerstones for innovation.

In research and development, which is centrally controlled by the Chief Technology Officer, FUCHS continues to strive to establish and expand its technological edge and promote innovation in strategically important areas.

→ 43 Research and development

In 2022, regional Chief Digital Officers (CDOs) or Digital Transformation Managers who work closely with the Group's CDO were given an introduction to the field of digitalization. Regular reporting to the Executive Board or the Group Management Committee (GMC) ensures the involvement of the Group's management. Competencies in the field of data and AI were built up. Implementation of the digital strategy "FUCHS goes Digital", developed in 2022 as part of FUCHS2025, has begun and will guide the Group through the next few years of its digital transformation. The focus here is on a broad setup in the customer channels with an appropriate customer experience. Focusing inwards, "FUCHS goes Digital" is working to improve efficiency, as well as the necessary training of employees. On top of the already introduced FluidsConnect solution, other applications will be added to the SmartService portfolio from 2023.

The aim is to create an improved culture of innovation to support the development and digitalization strategy and, at the same time, to increase the innovation-driven mindset and innovative strength overall. Innovation programs have been implemented at local and global levels to promote the culture of innovation. Digitalization is an important component in this regard.

For research and development, this means, among other things: using chemical and mechanical simulation models to increase understanding of the interactions between the lubricant and its environment; Design of Experiment (DOE) to develop the optimum product through statistical evaluation with as few trials as possible; smart technologies to support service concepts through sensors and accelerate product condition analysis in the application. In addition, the laboratories are being progressively automated to reduce input errors and speed up routine activities. Both chemical and mechanical simulation models aim to increase efficiency and achieve predictability in the performance of new formulations. More targeted formulations are intended to reduce development times.

Customer orientation

As part of FUCHS2025, the Group Executive Board has defined customer orientation as one of six strategic pillars and is actively working to implement this within the company. We value long-term customer relations that are based on mutual trust as well as on the ability to identify and understand our customers' requirements and implement these together with them. With our emotional statement *"MOVING YOUR WORLD"* we stand alongside our customers, provide impetus, and set their world in motion.

FUCHS with its lubricant solutions helps our customers to run their business more sustainably. Our mission is to achieve this with innovative products and services and thus to always be able to offer customers added value.

Despite the challenging market conditions, raw material shortages, logistical bottlenecks and lockdowns, we managed at all times to ensure supply to our customers. We will conduct our next customer satisfaction analysis globally in mid-2023. From this, targeted actions will be initiated to respond to the needs of our customers.

We will reach the target of over 50 % of the global business in managed business segments by 2023 and further increase the proportion (2021: 50.9 % / 2022: 51.1 %). In these business segments, cross-functional teams work closely with their respective customers to identify sustainable lubricant solutions.

In the vehicle industry, this means FUCHS is involved at an early stage, for example when new engines or transmissions are created in order to develop lubricants tailored to aggregates and make them available to customers worldwide to the same level of quality.

For the production and manufacturing sectors, our focus is on ensuring the maximum operational availability of machines at our customers. As well as supplying the right product, FUCHS allows customers to focus on creating their own value through individual service concepts relating to the lubricant.

Through the FUCHS Smart Services product line and the systematic integration of the NYE products into our segment/product portfolios, we are making ourselves more attractive to our customers in the long term.

The merger of our companies in Germany into FUCHS LUBRICANTS GERMANY will enable us to serve German customers in future with the entire FUCHS portfolio, including specialty lubricants and high-performance lubricants, from a single source.

EU taxonomy

EU taxonomy is an important component of the EU European Green Deal and the action plan "Financing Sustainable Growth", which aim to make the EU climate neutral by 2050. The key objectives of EU taxonomy are to create transparency for capital market participants and to direct capital flows into sustainable economic activities. The EU taxonomy regulation was published in July 2020. The delegated act on the first two environmental objectives, climate change mitigation and adaptation, and the act on disclosure requirements (Art. 8 of the EU taxonomy regulation) became effective at the end of December 2021. In addition, the EU Commission published further FAQ documents in December 2022 to explain application issues.

The EU taxonomy is a classification system that describes the economic activities already in force under the first two environmental objectives. These economic activities are in principle taxonomy-eligible. Based on criteria specified in the EU taxonomy regulation, economic activities can be classified as environmentally sustainable, or taxonomy-aligned. Evidence of environmental sustainability is

Our approach

provided through a three-stage process. In principle, a substantial contribution to one of the six environmental objectives must be given in the first step:

1) Climate change mitigation
2) Climate change adaptation
3) Sustainable use and protection of water and marine resources
4) Transition to a circular economy
5) Pollution prevention and control
6) Protection and restoration of biodiversity and ecosystems

This is evidenced by the fulfillment of technical assessment criteria defined in the EU taxonomy regulation. In the second step, this also includes the so-called "do no significant harm" (DNSH) test, that none of the five environmental objectives may be significantly impaired. In the final step, the minimum protection criteria "human rights, including workers' rights, bribery and corruption, taxation, fair competition" must be met. Only if all criteria are met cumulatively an economic activity is considered taxonomy-aligned.

Economic activities that do not fall within the scope of the EU taxonomy regulation are taxonomy-non-eligible and therefore also taxonomy-non-aligned.

An activity is only classified as taxonomy-aligned if all criteria are cumulatively fulfilled.

With the phased introduction of the EU taxonomy set out in the delegated act on Art. 8 of the EU taxonomy regulation, listed companies such as FUCHS were already required by 2021 to report the taxonomy-eligible share of sales revenues, capital expenditure (CapEx) and operating expenses (OpEx) for the first two environmental objectives. As of the financial year 2022, taxonomy-aligned shares of sales revenues, capital expenditure and operating expenses for the first two environmental objectives also have to be reported.

Our approach

As part of our EU taxonomy implementation project, as we did last year, we have first matched all of FUCHS' economic activities with regard to the scope of the EU taxonomy regulation and identified the taxonomy-eligible economic activities. The development, production and distribution of lubricants do not fall within the scope of the EU taxonomy regulation, therefore no taxonomy-eligible sales revenues can be derived. The economic activities of FUCHS that are relevant for the EU taxonomy regulation relate exclusively to CapEx and OpEx, which can be divided into two subsections:

a) Real-estate-related activities include the following activities:

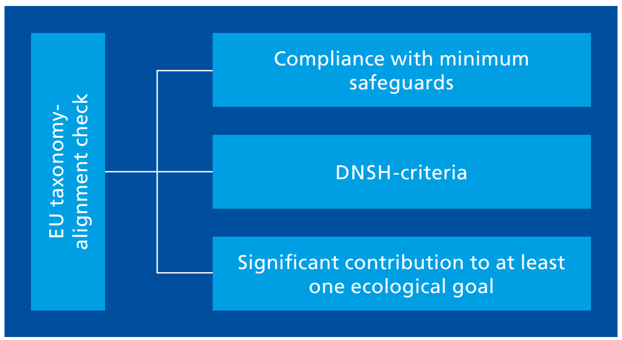
- 7.1 Contruction of new buildings (FUCHS' new construction projects)
- 7.2 Renovation of existing buildings (energy renovation of production and non-production buildings)
- 7.3 Installation, maintenance and repair of energy-efficient equipment (windows replacement)
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings and in parking lots attached to buildings (installation of charging points)
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (installation of smart metering equipment)
- 7.6 Installation, maintenance and repair of renewable energy technologies (installation of photovoltaic systems)
- 7.7 Acquisition and ownership of buildings (leasing)

b) Vehicle-related activities include the following:

- 3.6 Manufacture of other low-carbon technologies (electric forklifts)
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles (company vehicles)
- 6.6 Freight transport services by road (trucks)

Results derived via a group-wide analysis were validated by an interdisciplinary team of controlling, finance, and governance.

The taxonomy-eligible economic activities of FUCHS were then analyzed with regard to their taxonomy-alignment by means of three testing steps:



The review of the technical assessment criteria was carried out throughout the Group on the basis of checklists completed by the local companies. At central level, these checklists were evaluated and aggregated by individual economic activities. In many cases, the economic activities were classified as taxonomy-eligible but could not meet the technical screening criteria. For example, the state-of-the-art new holding company building in Mannheim could not be classified as taxonomy-aligned due to a life cycle CO_2-potential calculation that could not be subsequently determined. A climate risk analysis in accordance with Appendix A of the EU taxonomy regulation is also required as part of the conformity assessment. To address this requirement, geographic site data were matched with climate data for temperature, wind, water, and solids. For temperature risks, the RCP 8.5 scenario was used, which represents a worst-case scenario. In addition, data from an insurance partner of the FUCHS Group on the risks of earthquake, wind and flooding were included in the risk analysis. The analysis did not reveal any significant physical climate risks for the FUCHS sites and thus for the activities of FUCHS. Compliance with minimum safeguards with regard to human rights, including workers' rights, bribery and corruption, taxation and fair competition is ensured by FUCHS.

→ 94 Employee concerns
→ 97 Social concerns
→ 100 Respect for human rights; Combating corruption, bribery and anti-competitive behavior

A taxonomy-aligned share of CapEx or OpEx is only reported if all criteria of the test steps are met cumulatively. The details for each indicator can be found in the explanations below.

When analyzing and determining the key performance indicators (KPIs), it was also ensured that there was no double counting within the KPIs. The amounts for sales revenues, CapEx and OpEx associated with individual activities were clearly identified and marked for this purpose. Since all activities of FUCHS relate to the environmental objective 1 "Climate protection", double counting within the environmental objectives 1 and 2 can be excluded.

Key figures

Turnover

The EU taxonomy defines turnover as revenues from customer contracts in accordance with IFRS 15 (denominator according to EU taxonomy). Due to the fact that FUCHS does not fall within the primary scope of application of the EU taxonomy, there is no taxonomy-eligible or aligned turnover (numerator according to EU taxonomy). For the financial year 2022, turnover amounts to €3.4 billion.

→ 107 Turnover

CapEx

The EU taxonomy defines capital expenditure as all additions to and investments in intangible assets, property, plant and equipment in accordance with IAS 16, rights of use in accordance with IFRS 16 and, where applicable, capitalized development costs in accordance with IAS 38 (denominator in accordance with EU taxonomy). The numerator represents the taxonomy-eligible or taxonomy-aligned portion of the CapEx attributable to the above activities. The allocation to the different activities was based on the closing positions as well as a separate group-wide poll.

It is irrelevant whether FUCHS performs the activity itself or has it performed by a third party. According to 1.1.3.2. letter c of the annex to the legal act on disclosure requirements, the acquisition of such services should also be covered.

Activities 3.6, 6.5 and 7.1 to 7.7 were initially quantified and described as part of a query. Taxonomy-alignment was checked on the basis of product descriptions, technical data sheets, energy efficiency certificates and invoices as part of random sampling.

The total amount of CapEx in fiscal year 2022 is €91 million. This includes the items "property, plant and equipment" (€74 million), "intangible assets" (€5 million) and "capitalised rights of use" (€12 million). → # 108 CapEx

The breakdown of taxonomy-aligned CapEx on the economic acitivities is as follows:

Breakdown of taxonomy-aligned activities (CapEx)

Activity	Additions to PPE	Additions capitalised right-of-use assets	Sum	Therof acquired through company mergers	Thereof part of a CapEx-plan
	in € million	in € million	**in € million**	in € million	in € million
7.4	0.3		**0.3**		
7.5	0.1		**0.1**		
Total	0.4	0.0	**0.4**	0.0	0.0

OpEx

The EU taxonomy defines operating expenses as expenses for non-capitalized research and development costs, short-term leasing, low-value leasing, building maintenance as well as maintenance and repair (denominator according to EU taxonomy). The numerator includes taxonomy-eligible or taxonomy-aligned operating expenses for buildings (e.g. maintenance).

The total amount of OpEx in fiscal year 2022 is €100 million. This includes the closing items "repair and maintenance expense", "research and development expense" and "rental and lease expense for short-term leases"[1]. The key figures resulting for fiscal year 2022 are presented in tabular form below.[2] → # 109 OpEx

[1] The proportion of taxonomy eligible OpEx was extrapolated to the Group as a whole on the basis of a representative analysis.
[2] As we do not carry out any of the activities related to natural gas and nuclear energy (activities 4.26–4.31), we do not use the specific templates introduced by the complementary delegated act for activities in certain energy sectors.

Turnover

				Substantial contribution criteria						DNSH-criteria ("Does Not Significantly Harm")										
Economic activities (1)	Codes (2)	Absolute Turnover (3)	Proportion of Turnover (4)	Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned portion of Turnover, 2022 (18)	Taxonomy-aligned portion of Turnover, 2021 (19)	Category (aligned activity) (20)	Category (transitional-activity) (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			**0.0**																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**–**	**0.0**																	
Total (A.1+A.2)		**–**	**0.0**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		**3,412**	**100.0**																	
Total (A+B)		**3,412**	**100.0**																	

CapEx

				Substantial contribution criteria						DNSH-criteria ("Does Not Significantly Harm")										
Economic activities (1)	Codes (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned portion of CapEx, 2022 (18)	Taxonomy-aligned portion of CapEx, 2021 (19)	Category (aligned activity) (20)	Category (transitional-activity) (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.3	0.3	100	0					Y	Y	n/a	n/a	n/a	n/a	Y	0.3	n/a	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0.1	0.1	100	0					Y	Y	n/a	n/a	n/a	n/a	Y	0.1	n/a	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.4**	**0.4**														**0.4**			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	0.8	0.9																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	4.8	5.3																	
Freight transport services by road	6.6	0.2	0.3																	
Construction of new buildings	7.1	24.7	26.9																	
Renovation of existing buildings	7.2	4.0	4.4																	
Installation, maintenance and repair of energy efficiency equipment	7.3	0.8	0.8																	
Installation, maintenance and repair of renewable energy technologies	7.6	0.1	0,1																	
Acquisition and ownership of buildings	7.7	7.5	8.2																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**42.9**	**46.8**																	
Total (A.1+A.2)		**43.3**	**47.2**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		**48.5**	**52.8**																	
Total (A+B)		**91.8**	**100.0**																	

OpEx

Economic activities (1)	Codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH-criteria ("Does Not Significantly Harm"): Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned portion of OpEx, 2022 (18)	Taxonomy-aligned portion of OpEx, 2021 (19)	Category (aligned activity) (20)	Category (transitional-activity) (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**–**	**0.0**																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Renovation of existing buildings	7.2	4.9	4.9																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4.9**	**4.9**																	
Total (A.1 + A.2)		**4.9**	**4.9**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**94.8**	**95.1**																	
Total (A + B)		**99.7**	**100.0**																	

FUCHS' internal contribution to sustainability

FUCHS supports the overarching objective of the EU taxonomy regulation to promote private financing of sustainable economic activities in order to make Europe the first climate-neutral continent in the world by 2050. As a company aiming to establish a climate-neutral business model across its value chain by 2040, we welcome initiatives that serve this goal. For this purpose, we as a company have set ourselves specific goals and are systematically accountable for their achievement every year.

→ www.fuchs.com/sustainabilityreport

The scope of EU taxonomy currently covers nine defined economic sectors, which together account for 93.5% of greenhouse gas emissions in the EU. In the view of the European Commission's experts, these sectors can make a significant contribution to reducing emissions. The European Commission's above-mentioned approach and focus mean that lubricant producers such as FUCHS are not directly within the scope of the environmental objectives of climate change mitigation and adaptation, and can therefore only report activities to a limited extent in this regard.

Although FUCHS is currently unable to identify any products and related sales revenues as taxonomy-eligible and aligned in line with the definition of the EU taxonomy criteria set out above, the lubricants and functional fluids manufactured and supplied by FUCHS generally serve the environmental objectives of climate protection and adaptation to climate change enshrined in the EU taxonomy:

- The use of lubricants in our customers' applications results in reduced friction, in turn resulting in increased efficiency and/or lower energy consumption.
- The use of lubricants leads to less wear and tear and thus to a longer lifetime of components.
- In addition, lubricants contribute to the corrosion protection of components in many applications, thereby reducing material consumption and indirectly reducing energy consumption.

FUCHS products contribute to climate protection in a wide range of applications. For example, according to an externally audited eco-efficiency analysis, an excavator saves around 9,600 liters of diesel over an operating period of 8,000 hours using premium FUCHS' hydraulic oil. This corresponds to a CO_2 equivalent of nearly 30 tons. Together with associations, research partners and suppliers, FUCHS is constantly setting new standards and driving sustainability in the industry.

Many of our customers' taxonomy-eligible and potentially aligned activities are made more efficient, or even made possible, through the lubricants developed and manufactured by FUCHS. In particular, these include lubricants for use in wind turbines, functional fluids in electric drives of motor vehicles, and cleaners for solar panels.

FUCHS also demands the highest standards in the production process of lubricants in terms of energy efficiency, use of renewable energy and resource-efficient processes.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To FUCHS PETROLUB SE, Mannheim

We have performed a limited assurance engagement on the non-financial group statement of FUCHS PETROLUB SE, lMannheim, (hereinafter the "Company") for the period from 1 January to 31 December 2022 (hereinafter the "Non-financial Group Statement") included in section "Non-financial Group declaration" of the combined management report.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Non-financial Group Statement.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Group Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section EU-Taxonomy of the Non-financial Group Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Non-financial Group Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section EU-Taxonomy of the Non-financial Group Statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the non-financial group statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Responsibility of the Assurance Practitioner
Our responsibility is to express a conclusion with limited assurance on the Non-financial Group Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Non-financial Group Statement, other than the external sources of documentation or expert opinions mentioned in the Non-financial Group Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU-Taxonomy of the Non-financial Group Statement.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Non-financial Group Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Non-financial Group Statement
- Identification of likely risks of material misstatement in the Non-financial Group Statement
- Analytical procedures on selected disclosures in the Non-financial Group Statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Non-financial Group Statement
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Non-financial Group Statement
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact
- Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Non-financial Group Statement of the Company for the period from 1 January to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU-Taxonomy of the Non-financial Group Statement. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Non-financial Group Statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt am Main, March 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke	ppa. Meike Beenken
Wirtschaftsprüfer	
[German public auditor]	

2.12 Corporate Governance

FUCHS sees corporate governance as a central prerequisite for achieving its company targets and increasing enterprise value. In particular, sound and responsible management and monitoring geared towards sustainable value added processes include:

- close and trusting cooperation between the Executive Board and the Supervisory Board,
- consideration of shareholders' interests,
- open corporate communication,
- transparency in accounting,
- responsible handling of risks and opportunities and
- sustainable business activities.

Effective and transparent corporate governance plays an important part at FUCHS in how it sees itself, and is a standard that covers all departments and divisions within the company. It is an essential foundation for business success at FUCHS. Investors, financial markets, business partners, employees and the general public put their trust in FUCHS with respect to its corporate conduct. FUCHS is keen to confirm this trust in the long-term, and also to develop corporate governance continuously within the Group.

Declaration of Corporate Governance

The Executive Board and the Supervisory Board submit the Declaration of Corporate Governance for FUCHS PETROLUB SE and the Group in accordance with Sections 315d and 289f of the German Commercial Code (HGB). The statements apply both to FUCHS PETROLUB SE and to the Group, unless stated otherwise below.

A. Declaration of the Executive Board and the Supervisory Board of FUCHS PETROLUB SE concerning the recommendations by the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 of the German Stock Corporation Act (AktG)

On December 9, 2022, the Executive Board and the Supervisory Board of FUCHS PETROLUB SE agreed to issue the following Declaration of Compliance:

Since issuing its last Declaration of Compliance on December 10, 2021, FUCHS PETROLUB SE has complied with the recommendations set forth in the German Corporate Governance Code dated March 20, 2020, i.e. its version published in the official section of the Federal Gazette (Bundesanzeiger) on December 16, 2019 by the German Ministry of Justice. FUCHS PETROLUB SE intends to comply in the future with all recommendations without exception as set forth in the German Corporate Governance Code dated June 27, 2022, i.e. its version published in the official section of the Federal Gazette (Bundesanzeiger) on April 28, 2022 by the German Ministry of Justice.

Mannheim, December 9, 2022

Dr. Christoph Loos

Chairman of the
Supervisory Board

Stefan Fuchs

Chairman of the
Executive Board

The Declaration of Compliance is available on the company's website at:
→ www.fuchs.com/group/declaration-of-compliance

B. Compensation report

The main features of the compensation system and the individual compensation of members of the Executive Board and the members of the Supervisory Board are described in the compensation report.

→ www.fuchs.com/group/compensation-report

C. Corporate governance practices

FUCHS PETROLUB SE and the Group apply the following key corporate governance practices:

Governance systems

In accordance with the German Corporate Governance Code, FUCHS describes below the main features of the governance systems (internal control system and risk management system, including the compliance management system) and makes a statement on their appropriateness and effectiveness as a non-management report disclosure.

Internal control system (ICS) and risk management system (RMS)

In addition to the risk management system, the FUCHS Group has an internal control system (ICS) that aims to ensure regular, accurate and effective accounting and financial reporting as well as compliance with the key legal provisions and internal regulations relevant to the company. Sustainability aspects and their specific regulatory development will also be included. The system is incorporated into the underlying business processes in all relevant legal units and Global Functions and is developed on an ongoing basis.

While overall responsibility for our IKS and RMS rests with the Executive Board, local management has responsibility for the implementation, adequacy, and effectiveness of internal controls. The Global Functions develop corresponding specifications in the respective functional areas. The Audit Committee of the Supervisory Board is regularly briefed on the risks, the risk management system, and the internal control system and is the highest management body to oversee the governance systems.

Compliance with requirements is checked through different reporting systems of the respective functional areas. In addition, the audit of the adequacy and effectiveness of the Internal Control System is part of Internal Audit's audit plan, which acts on behalf of the Executive Board. The audit takes a risk-based audit approach. Using samples, the Internal Audit assesses the existence and effectiveness of internal controls and reports the results to the Executive Board in a timely manner through audit reports. At the end of the financial year, the adequacy and effectiveness review activities are summarized and the results of all identified internal controls and processes with significant potential for improvement are reported to the Supervisory Board.

Nonetheless, there are inherent limitations, so that a statement on the adequacy and effectiveness of the internal control system cannot, by its very nature, be made with definitive certainty. Even with careful design and monitoring of the internal control system, it cannot be ruled out that weaknesses or gaps may not be identified in individual cases. During the past financial year, the Executive Board saw no evidence to suggest that the internal control system was not adequate or effective in any material respect.[1]

There is no evidence that the opportunity and risk management system established by the Executive Board and practiced worldwide is not appropriate and effective in material respects with regard to the opportunity and risk profile of the FUCHS Group. The opportunity and risk management system is constantly being further developed, taking into account new opportunities and risks.

→ 79 Significant features of the internal control and risk management system with regard to the Group accounting process

[1] The disclosures in this paragraph are disclosures not included in the Combined Management Report as defined in the explanatory notes to this Management Report.

Compliance Management System (CMS)

Alongside the ICS and the RMS, the CMS forms the third pillar of the governance system, which is aligned with the organizational structure and risk situation of the FUCHS Group.

The company understands compliance to mean observing rights, laws and the company's Articles of Association, adherence to internal rules and making voluntary personal commitments. Unlawful conduct harbors the risk of financial harm, weakening the company's own market position, and damaging its image. Without exception, the management and employees are required to observe laws, directives, and social standards applicable to them within the scope of their duties.

FUCHS has set up a compliance management system (CMS) for the prevention of the aforementioned risks and damage. The FUCHS Code of Conduct and the compliance guidelines, particularly those that relate to complying with rules on competition, preventing money laundering, corruption and venality, and dealing with insider information, are essential foundations of the CMS. The Code of Conduct and the compliance guidelines form a binding framework for FUCHS to ensure lawful and social-ethical conduct. They are supplemented by various information and training activities, instructions such as Dos and Don'ts for sensitive situations involving competition law, a compliance risk management system, an electronic whistleblower platform for reporting illegal conduct, the systematic processing and appropriate sanctioning of compliance violations, regular compliance reporting to the Executive Board and Supervisory Board, and compliance audits performed by Internal Audit. The individuals with authorized access to insider information are listed in the mandatory insider list in accordance with Art. 18 of the EU's Market Abuse Regulation (MAR) and informed of their legal obligations and possible sanctions.

The CMS is implemented by a Group-wide compliance organization, overall responsibility for which lies with the Chief Financial Officer (CFO). The Chief Compliance Officer (CCO) appointed by the Executive Board manages the CMS globally with the Group Compliance Committee (GCC), as well as regionally (RCOs) and locally (LCOs) appointed Compliance Officers, and supports and advises employees. The CCO is also responsible for developing the CMS to take account of all topics of relevance for compliance. Alongside the CCO, overall responsibility for personnel and governance also lies with the GCC and the Senior Group Compliance Officer. The GCC works out the strategic focus of the compliance organization setup on the basis of its own rules of procedure, supports the CCO and comprehensively bundles the expertise for the CMS within the company. In addition, the GCC ensures the sharing of information between the central Group and specialist departments that mainly deal with compliance topics, monitors the processing and investigation of events relevant to compliance, and arranges for appropriate sanctions in the event of compliance violations. The RCOs are using the compliance strategy at regional level and deal with all compliance incidents under their respective responsibility with the help of an electronic case handling program. The electronic whistleblower platform gives all employees and business partners, as well as other external parties, the chance to initiate a dialog with the compliance organization offices, while remaining anonymous if so desired. As a result, weaknesses can be identified and the CMS can be further developed from the findings gained. All employees are explicitly required to immediately report conduct and incidents relevant to compliance to the responsible offices.

Corporate governance policies

The Articles of Association of FUCHS PETROLUB SE, the Code of Conduct, the Declaration of Corporate Governance and other corporate governance documents such as the FUCHS Sustainability Guide are available on the company's website. Compliance guidelines such as the Anti-Corruption Policy and the Antitrust Policy, with accompanying information documents, are available to employees via the global intranet. In accordance with recommendation F.5 of the Code, the company makes non-current declarations of corporate governance and declarations of compliance with the recommendations of the Code available on its website for at least five years.

→ www.fuchs.com/group/declaration-of-compliance

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

The terms trust, creating value, respect, reliability and integrity form the core values of our Code of Conduct and accordingly shape the company's mission statement for good corporate governance. This mission statement expresses a common attitude on the part of the management levels and provides a clear guideline for acting responsibly. The core values apply to the FUCHS Group as a benchmark for internal objectives and form the basis for individual actions.

Good corporate governance also includes the adoption of sustainable business principles. FUCHS has summarized its basic principles for sustainable activities in a comprehensive Sustainability Guideline. Further information on sustainability is provided in the combined non-financial declaration and the Sustainability Report.
→ 86 Non-financial Group declaration
→ www.fuchs.com/sustainabilityreport

Opportunity and risk management

Sound corporate governance also includes the responsible handling of opportunities and risks. The Executive Board has set up an internal control and risk management system that is appropriate and effective in terms of the scope of business and risk exposure of the company. The Executive Board and the Supervisory Board regularly discuss existing opportunities and risks, changes therein and the measures to be taken. The internal control system, the risk management system and the internal audit system are developed on an ongoing basis and adapted to a changing framework. Details on this can be found in the report on opportunities and risks. → 67 Opportunity and risk report

D. Disclosures on the working practices of the Executive Board and the Supervisory Board and the composition and working practices of their committees

1. Management and control structure

As a European corporation (Societas Europaea – "SE"), FUCHS PETROLUB SE, with its registered office in Mannheim, is subject in particular to the provisions of the SE Regulation, the German SE Implementation Act, the SE Employee Participation Act, the SE Employee Participation Agreement concluded with the employees, and the German Stock Corporation Act (AktG). In accordance with the requirements of German stock corporation law, FUCHS has a two-tier board system with the separation of personnel between the Executive Board as a management body and the Supervisory Board as a monitoring and advisory body, each of which has its own independent responsibilities. Sound corporate governance requires the ongoing development of this two-tier board system, with all divisions being included.

2. Corporate management by the Executive Board

Working practices of the Executive Board

The Executive Board manages the company on its own responsibility. As a management body, it has a commitment to the company's interests and to increasing the companies' enterprise value in the long term. In so doing, the members of the Executive Board are jointly responsible for all management activities. Notwithstanding the overall responsibility of the Executive Board, the individual members of the Executive Board also manage the divisions assigned to them under their own responsibility within the scope of Executive Board resolutions.

In particular, the Executive Board makes decisions on corporate strategy, business policy, and annual and multi-year planning. The Executive Board ensures that the risks associated with business operations are handled responsibly by way of a suitable and effective opportunity and risk management system. The Executive Board has put in place an internal control and risk management system that is appropriate and effective in terms of the scope of business and risk exposure of the company. By means of an appropriate compliance management system geared toward the company's risk situation, the Executive Board ensures compliance with legal provisions, official regulations, and internal policies, and works toward their observance within the company (compliance).

The Executive Board pays attention to diversity and adequate representation of women when filling management positions in the company.

Decisions of the Executive Board shall as a matter of principle be taken at regular meetings. Executive Board meetings are to be held once a month. The Executive Board is quorate if all members are invited and at least three members take part in the vote on the resolution. Resolutions are generally adopted by a majority of the votes cast, in the event of a tie, the Chairman of the Executive Board shall have the casting vote. In making their decisions, the Executive Board members must not pursue any personal interests or business opportunities available to the company for their own personal gain. In accordance with recommendation E.2 of the Code, the rules of the procedure of the Executive Board regulate its obligation to disclose possible conflicts of interest to the Chairman of the Supervisory Board and to the Chairman of the Executive Board. There were no conflicts of interest in the reporting year.

The Supervisory Board has adopted rules of procedure and an allocation of responsibilities for the work of the Executive Board. These govern the work and the allocation of responsibilities of the Executive Board members. The rules of procedure contain regulations on the Executive Board's obligations to keep the Supervisory Board informed. In addition, the Supervisory Board has stipulated the need for the approval of the Supervisory Board for certain fundamentally important business processes, such as setting the investment budget or larger acquisitions.

Composition of the Executive Board

The Board of Directors of FUCHS PETROLUB SE is composed of six members at the time of issuance of the Declaration of Corporate Governance:

- Mr. Stefan Fuchs, Member of the Executive Board since 1999, Chairman of the Executive Board since January 1, 2004
- Ms. Isabelle Adelt, Member of the Executive Board since November 1, 2022
- Dr. Lutz Lindemann, Member of the Executive Board since January 1, 2009
- Dr. Timo Reister, Member of the Executive Board since January 1, 2016
- Dr. Ralph Rheinboldt, Member of the Executive Board since January 1, 2009
- Dr. Sebastian Heiner, Member of the Executive Board since January 1, 2023

Ms. Dagmar Steinert departed from the Executive Board on November 30, 2022. Dr. Lutz Lindemann will depart from the Executive Board on March 31, 2023. Further details and the allocation of duties within the Executive Board (organization of responsibilities, regions and divisions) are shown in detail in the section on organization.
→ 21 Organization

The Supervisory Board is responsible for appointing the Executive Board in accordance with Article 39 of the SE Regulation. Together with the Executive Board, the Supervisory Board ensures long-term succession planning and receives reports on the respective status of planning and implementation of the criteria specified therein. The Supervisory Board has assigned responsibility for preparing decisions to the Personnel Committee. The number of Executive Board members is based on the requirements resulting from the business and the division of work in the Executive Board. In accordance with recommendation B.3 of the Code, initial appointments of members of the Executive Board are for no more than three years.

As a global innovation-driven company in the lubricants industry, FUCHS PETROLUB SE's systematic management development and long-term succession planning for the Executive Board pays attention to:

- the early identification of suitable candidates of different disciplines, taking varied professional and personal experience into account,
- proven strategic and operating creative drive, and
- a proven role model function as a manager in the implementation of the FUCHS mission statement.

Taking account of the terms of the existing Executive Board mandates and the necessary skills for the respective positions to be (re-)filled, potential candidates within the Group are identified and presented to the Supervisory Board at an early stage. Where necessary, potential external candidates are identified via suitable service providers and taken into account in succession planning.

However, the crucial factor for appointment to the Executive Board at FUCHS PETROLUB SE is ultimately the assessment of the person's professional and personal qualifications. The current composition of the Executive Board ensures comprehensive compliance with the duties required of the executive board of a listed company.

Diversity

FUCHS ensures that the Executive Board as a whole has the following profile in line with a diversity concept:

- years of experience in scientific, technical and commercial areas,
- appropriate international experience due to background and/or professional activity,
- at least one female member of the Executive Board (target until December 9, 2026: one female member on a five-member Executive Board) and
- balanced age structure.

In accordance with recommendation B.5 of the Code, the Supervisory Board has set an age limit of 65 years for Executive Board members.

The diversity concept for the Executive Board is implemented by ensuring that the Supervisory Board and the Personnel Committee adequately take account of the aspects specified in the diversity concept when seeking and selecting suitable candidates for an Executive Board position.

3. Monitoring and advising of the corporate management by the Supervisory Board

Working practices of the Supervisory Board

The Supervisory Board appoints and dismisses the members of the Executive Board and both advises and monitors the Executive Board in its management of the company. The Executive Board informs the Supervisory Board regularly, promptly, and comprehensively about all relevant issues for the company, particularly the strategy, planning, the business development, the risk situation, risk management, and compliance. The Chairman of the Supervisory Board is immediately informed by the Chairman of the Executive Board of any major events that are significant for the assessment of the company's situation and development and for the management of the company. In addition, the Chairman of the Supervisory Board maintains regular contact with the Chairman of the Executive Board and advises him on all important issues for the company. The continuous dialog between the Executive Board and the Supervisory Board, which is based on mutual trust, forms an important foundation for FUCHS' success.

The Supervisory Board is quorate if a duly convened meeting is attended by at least four members, including the Chairman or the Deputy Chairman. Attendance also includes attendance via teleconference or video conference, although this should not be the norm. 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. Minutes of the Supervisory Board's resolutions and meetings are prepared and then approved by resolution at the next meeting. Decisions may also be taken by order of the Chairman of the Supervisory Board by means of a written statement, a statement made by telephone, or using other common means of communication such as e-mail. In making their decisions, the Supervisory Board members must not pursue any personal interests or business opportunities available to the company for their own personal gain. In accordance with recommendation E.1 of the Code, the rules of procedure of the Supervisory Board require that any member of the Supervisory Board must immediately disclose any conflict of interest to the Chairman of the Supervisory Board. There were no conflicts of interest in the reporting year.

If necessary, separate preliminary meetings of the shareholder representatives and the employee representatives take place. In accordance with recommendation D.6, the Supervisory Board also regularly meets without the Executive Board.

At its meeting on December 9, 2022, the Supervisory Board adopted a new version of the rules of procedure for the Board. The current version of the rules of procedure for the Supervisory Board is available on the website:
→ www.fuchs.com/sup_board

The Supervisory Board itself regularly assesses how effectively the Supervisory Board as a whole and its committees are performing their tasks. To this end, the Chairman of the Supervisory Board talks to all regular Supervisory

Overview of Supervisory Board members' attendance at each meeting in the financial year 2022

Responsibilities	Members	Attendance/ meetings
Supervisory Board	Dr. Christoph Loos (Chairman since May 3, 2022)	7/7
	Dr. Kurt Bock, until May 3, 2022 (Chairman)	2/2
	Dr. Susanne Fuchs (Deputy Chairwoman)	7/7
	Jens Lehfeldt	7/7
	Ingeborg Neumann (Financial Expert)	7/7
	Cornelia Stahlschmidt	7/7
	Dr. Markus Steilemann, since May 3, 2022 (Financial Expert)	5/5

Board members. The results of the survey are then discussed at a meeting of the Supervisory Board. If necessary, measures for improvement are defined. The last self-assessment was conducted at the Supervisory Board meeting on December 9, 2022. The Supervisory Board did not identify any significant need for improvement. In addition, after assuming the chairmanship of the Supervisory Board, Dr. Loos held discussions with all members of the Supervisory Board regarding the desired future cooperation basis. The results of these were discussed at the Board meeting on July 5, 2022. The next routine self-assessment is scheduled for the end of 2023.

Composition of the Supervisory Board

The Supervisory Board of FUCHS PETROLUB SE consists of six members. Of these, the shareholders elect four members at the Annual General Meeting. The European Works Council (SE Works Council) and the representatives of the company's European employees elect two members as employee representatives. The current members of the Supervisory Board and their attendance at meetings are listed in the table.

Mr. Jens Lehfeldt and Ms. Cornelia Stahlschmidt are the employee representatives on the Supervisory Board.

Ms. Ingeborg Neumann is a financial expert, with expertise in the field of accounting and auditing as defined in Section 100(5) of the German Stock Corporation Act (AktG) and in recommendation D.3 on pp. 1 and 2 of the Code. As Chair of the Audit Committee, she thus also meets the requirements of recommendation D.3 on p. 3 of the Code. Ms. Neumann was an auditor for many years at an international audit firm and is a long-term member of the Audit Committee of FUCHS PETROLUB SE and SGL Carbon SE, as well as a managing partner of Peppermint Holding GmbH, based in Berlin.

Dr. Markus Steilemann, as a financial expert, has expertise in the field of accounting as defined in Section 100(5) of the German Stock Corporation Act (AktG) and in recommendation D.3 pp. 1 and 2 of the Code. Dr. Steilemann, a long-time member of the Executive Board and, since 2018, Chairman of the Executive Board of Covestro AG, is particularly familiar with accounting issues.

Further details, such as the members' CVs, their current position or main occupation, membership of statutory supervisory boards and comparable supervisory bodies, and the date of their first appointment are available online at → www.fuchs.com/sup_board

Details on the Board's work in the reporting year are presented in the report of the Supervisory Board.
→ 23 Report of the Supervisory Board

Skills profile

The Supervisory Board is composed of people who ensure compliance with the duties of a listed company, in particular providing qualified advice to the Executive Board and performing the Supervisory Board's monitoring duties. On the basis of their expertise and practical experience, integrity, motivation, independence and personality, the members of the Supervisory Board are capable of performing their duties in an international group operating in the lubricants industry and preserving the reputation of the FUCHS Group in public. At its meetings in October and

December, the Supervisory Board held an in-depth discussion on the competence profile of the overall board and revised the objectives for its composition. It regularly focuses on the issue of long-term succession planning for the shareholder representatives, most recently at its meeting on December 10, 2021.

In accordance with the criteria decided by the Supervisory Board, the Supervisory Board as a whole must match the following profile:

- international business experience and/or leadership experience with associations and networks,
- knowledge and experience in the chemical sector or related value chains,
- accounting expertise (specific knowledge and experience in the application of accounting policies, internal control procedures and risk management systems as well as sustainability reporting),
- expertise in the field of statutory auditing (specific knowledge and experience in statutory auditing, auditing of sustainability reporting),
- knowledge and experience in the sustainability issues relevant to the company,
- knowledge and experience in the field of human resources and corporate culture,
- knowledge and experience in the field of innovation and
- knowledge and experience in governance and compliance.

Skills matrix

	Dr. Christoph Loos (Chairman)	Dr. Susanne Fuchs (Deputy Chairwoman)	Jens Lehfeldt	Ingeborg Neumann	Cornelia Stahlschmidt	Dr. Markus Steilemann
International business experience and/or leadership experience with associations and networks	•	•	•	•		•
Knowledge and experience in the chemical sector or related value chains	•	•	•	•	•	•
Accounting (specific knowledge and experience in the application of accounting policies, internal control procedures and risk management systems as well as sustainability reporting)	•			•		•
Statutory Auditing (specific knowledge and experience in statutory auditing, auditing of sustainability reporting)				•		
Governance and compliance	•	•	•	•		•
Human resources and corporate culture	•	•	•	•	•	•
Sustainability	•	•		•		•
Innovation	•			•		•
Independence from the company and its Executive Board	•		Employee representative	•	Employee representative	•
Independence from controlling shareholders	•		Employee representative	•	Employee representative	•
Internationality	•	•		•		•
Gender	m	f	m	f	f	m
Age	54	58	42	65	64	52
Year of first appointment to the Supervisory Board	2020	2017	2019	2015	2020	2022

All criteria of the competency profile are met by the Supervisory Board in its entirety, as indicated in the previous skills matrix.

In accordance with recommendation D.11 of the Code, FUCHS PETROLUB SE provides the Supervisory Board members with adequate support for their induction and for training measures. Details can be found in the report of the Supervisory Board.

Diversity

With the objective of maximum benefit for the company, the Supervisory Board strives for sufficient diversity among the shareholder representatives. Diversity is understood not merely in terms of gender or compliance with gender-specific targets, but also in regard to personality, internationality (international experience based on origin, career or activity) and professional background (education and professional experience). Furthermore, members of the Supervisory Board should not be over 75 years old at the time they are elected. This age limit was not exceeded by any of the Supervisory Board members.

Corporate co-determination at FUCHS PETROLUB SE in accordance with the agreement on the involvement of employees contributes to diversity in terms of professional experience and cultural background. Employee representatives for the Supervisory Board are appointed and elected through the autonomous decision of the employees in accordance with the provisions of laws on SE employee participation and the SE employee participation agreement concluded with the employees.

The diversity concept for the Supervisory Board is implemented by ensuring that the Nomination Committee adequately takes account of the aspects specified in the diversity concept when seeking and selecting suitable shareholder representatives. All the criteria of the diversity concept are met at FUCHS.

Independence

In the Supervisory Board's opinion, three of the four shareholder representatives listed in the section "Composition of the Supervisory Board," and thus an appropriate proportion of the shareholder representatives, are independent within the meaning of recommendation C.6 of the Code. Namely these are Dr. Christoph Loos, Ms. Ingeborg Neumann and Dr. Markus Steilemann. Dr. Kurt Bock was also considered independent from the company and its Executive Board as well as from the controlling shareholder within the meaning of the recommendations of the Code until his leaving.

The term in office of the Supervisory Board is five years. The current term in office began when the Supervisory Board members were elected at the Annual General Meeting on May 5, 2020. No member of the Supervisory Board has been on the Board for more than twelve years.

Committees of the Supervisory Board

The Supervisory Board of FUCHS PETROLUB SE has created an Audit Committee in accordance with Section 107(3) p. 2 and (4) p. 1 of the German Stock Corporation Act (AktG). It has also set up a Personnel Committee and a Nomination Committee in accordance with recommendation D.4 of the Code. In accordance with recommendation D.2 of the Code, the qualified committees prepare and complement the work of the Board as a whole. The committees contribute to the Supervisory Board working efficiently. The Personnel Committee and the Audit Committee usually meet several times a year, while the Nomination Committee convenes for meetings when necessary based on its allocation of duties. The respective chairs of the committees regularly report to the Supervisory Board on the work of the committees.

In accordance with Section 107(3) p. 2 of the German Stock Corporation Act (AktG), the key tasks of the **Audit Committee** include auditing the accounts, monitoring the accounting process, examining the effectiveness of the internal control, risk management and internal audit system, and the audit of the financial statements by the statutory auditor and with Compliance. The chairman of the

Audit Committee and the auditor also regularly exchange views on the progress of the audit outside meetings, and the chairman of the Audit Committee reports on this to the Audit Committee. In addition, the Audit Committee and Executive Board also discuss the interim reports and financial reports to be published on the capital markets in advance. The members of the Audit Committee and their attendance at meetings are listed below:

Overview of Audit Committee members' attendance at each meeting in the financial year 2022

Responsibilities	Members	Attendance/ meetings
Audit Committee	Ingeborg Neumann (Chairwoman, Financial Expert)	4/4
	Dr. Susanne Fuchs	4/4
	Dr. Christoph Loos, until May 3, 2022	2/2
	Dr. Markus Steilemann, since May 3, 2022 (Financial Expert)	2/2

The **Personnel Committee** focuses on personnel matters concerning the Executive Board. The members of the Personnel Committee and their attendance at meetings are listed hereafter:

Overview of Personnel Committee members' attendance at each meeting in the financial year 2022

Responsibilities	Members	Attendance/ meetings
Personnel Committee	Dr. Christoph Loos (Chairman since May 3, 2022)	4/4
	Dr. Kurt Bock, until May 3, 2022 (Chairman)	2/2
	Dr. Susanne Fuchs	4/4
	Ingeborg Neumann	4/4
	Dr. Markus Steilemann, since May 3, 2022	2/2

The **Nomination Committee** advises on and nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members. In accordance with recommendation D.4 of the Code, the Nomination Committee shall consist exclusively of shareholder representatives. The Nomination Committee did not meet during the financial year 2022.

E. Gender-specific targets

In accordance with the provisions of the Second Executive Positions Act, the Supervisory Board has set the following targets for the period ending December 9, 2026, as minimum targets for the proportion and number of female members on the Supervisory Board and Executive Board:

- Female members on the Supervisory Board: 33.3 %. For a total of six members, this corresponds to a target of two women on the Supervisory Board.
- Female members on the Executive Board: 20.0 %. For a total of five members, this is equivalent to a target number of one woman on the Executive Board.

The aforementioned targets will be met for the Executive Board at the end of the financial year 2022. The Supervisory Board will exceed the abovementioned target size by the end of the financial year 2022.

The Executive Board has defined the two management levels of FUCHS PETROLUB SE below the Executive Board as follows:

- The first level of management comprises the Group Management Committee members employed by FUCHS PETROLUB SE and division heads with a direct line of reporting to a member of the Executive Board.
- The second management level consists of those employed at FUCHS PETROLUB SE

(i) as division heads and department heads with a direct line of reporting to a member of the Group Management Committee or (other) division head and
(ii) department heads with a direct line of reporting to a member of the Executive Board.

The Executive Board has established the following targets for the period ending November 1, 2026, as minimum targets for the proportion of female managers at the two management levels of FUCHS PETROLUB SE below the Executive Board:

- Female managers at the first management level of FUCHS PETROLUB SE: 20.0 %. This corresponds to a projected size of the first management level of 20 people in relation to the end of the term of a target number of four female managers.
- Female managers at FUCHS PETROLUB SE's second management level: 32.0 %. This corresponds to a projected second management level of 25 people in relation to the end of the term of a target number of eight female managers.

The target for the proportion of female representation at the first management level below the Executive Board will be met, at 20.0 % (3 female managers per 15 people) at the end of 2022. The proportion of female representation at the second level of management below the Executive Board, at 18.5 % (5 female managers per 27 positions) at the end of 2022, will be significantly below target.

The reason for the failure to meet the target for the second level of management is the impact of a temporary change in the internal organizational structure related to the changes in the area of the Chief Technical Officer. For this purpose, reporting lines had been adjusted in the meantime, and, with the beginning of 2023, were canceled again. The new management positions created in this context were selected solely based on the qualifications of the individual employees and regardless of their gender. The qualifications of employees will continue to be the sole criterion for selecting management positions, but FUCHS PETROLUB SE will work intensively to enable female employees to acquire the required qualifications in this context by means of an enterprise-wide succession approach.

F. Corporate reporting and audit

High transparency through comprehensive information

FUCHS PETROLUB SE keeps capital market participants updated on the economic situation of the Group and key events through regular, prompt, uniform, and comprehensive information. This reporting takes the form of the annual report, half-year financial reports and interim reports. Furthermore, FUCHS PETROLUB SE also provides information through press releases and ad hoc disclosures. In accordance with recommendation F.1 of the Code, the shareholders are immediately provided online with all significant new facts that are communicated to financial analysts and similar addressees. All information can be viewed online at → www.fuchs.com/group. The website also features a financial calendar showing the dates of all major events and publications.

The Declarations of Corporate Governance for the past five years are available online at:
→ www.fuchs.com/decl_of_cg

Also published on the website in accordance with Art. 19 of Regulation (EU) No. 596/2014 of April 16, 2014 on market abuse (Market Abuse Regulation) are share transactions by Executive Board members, Supervisory Board members, and other managers, including certain closely related parties (managers' transactions) that have to be reported. → www.fuchs.com/direct_deal

Accounting and audit

The consolidated financial statements and half-year financial report of FUCHS PETROLUB SE are prepared in accordance with the International Financial Reporting Standards (IFRS). The statutory annual financial statements, which are relevant for the distribution of dividends, are prepared by FUCHS PETROLUB SE in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). After being prepared by the Executive Board, the auditor elected by the Annual General Meeting audits the annual and consolidated financial statements together with the combined management report. The Supervisory Board approves the annual and consolidated financial statements after reviewing them itself. The annual financial statements are hereby adopted.

The Supervisory Board has agreed with the auditor that the auditor will inform the Chairman of the Audit Committee immediately of any issues identified during the audit that might give rise to grounds for exclusion or bias in the auditor's report unless these issues can be resolved immediately. In accordance with recommendation D.8 of the Code, the auditor shall also inform the Audit Committee immediately of all findings or conclusions that emerge during the audit and are of significance for the duties of the Supervisory Board. The auditor must also inform the Supervisory Board in accordance with recommendation D.9 of the Code and record it in the audit report if, during the audit, any facts suggesting that any part of the Declaration of Compliance submitted by the Executive Board and Supervisory Board in accordance with Section 161 German Stock Corporation Act (AktG) is inaccurate are detected. In accordance with Section D.107(3) p. 2 of the German Stock Corporation Act, the Audit Committee regularly assesses the quality of the audit. In accordance with recommendation D.10 on p. 1 of the Code, the Audit Committee also discusses the audit risk assessment, the audit strategy and planning, and the audit findings with the statutory auditor.

Information on the auditor

Following the proposal of the Supervisory Board, the Annual General Meeting of FUCHS PETROLUB SE on May 3, 2022, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Mannheim branch, as the auditor of the annual and consolidated financial statements for the financial year 2022 and as the auditor for any audit reviews of interim reports for the financial year 2022 and the first quarter of 2023. The responsible auditor is Mr. Dirk Fischer, performing this engagement for the final time due to the internal rotation rules. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was first appointed as the auditor of the annual and consolidated financial statements for the financial year 2018.

G. Shareholders and the Annual General Meeting

Share classes and movements in these classes

FUCHS PETROLUB SE has issued both ordinary and preference shares. The holders of ordinary shares represented at the Annual General Meeting pass resolutions on all matters assigned to the Annual General Meeting by law, such as the appropriation of earnings, amendments to the Articles of Association, the election of members of the Supervisory Board, approval of the actions of the Executive Board and the Supervisory Board, and the election of the auditor. Each ordinary share grants the holder one vote. 55 % of the ordinary shares are held by Schutzgemeinschaft Familie Fuchs. The preference shares only grant voting rights in the cases prescribed by law. However, preference shares grant the holders a preference right on the distribution of unappropriated profits and entitle them to an increased (preference) dividend.

Takeover law disclosures can be found in the corresponding sections of the management report:
→ 126 Takeover law disclosures

Rights of shareholders at the Annual General Meeting

The holders of ordinary and preference shares exercise their co-determination and control rights at the Annual General Meeting held at least once a year. In compliance with the legal conditions and those of the Articles of Association, all shareholders are entitled to participate in the Annual General Meeting. Shareholders who do not attend the Annual General Meeting in person can have their voting right exercised by a voting representative (proxy), such as a bank or a shareholders' association. In addition, the company offers them the option of having their voting right exercised by a voting representative appointed by the company.

The reports, documents and information, including the Annual Report, required by the German Stock Corporation Act (AktG) to be submitted for annual general meetings are available online, where the agenda of the Annual General Meeting and any counter-motions or nominations by shareholders to be made public can also be found. In addition, the speech by the Chairman of the Executive Board at the Annual General Meeting can be watched online.

Related parties

The consolidated financial statements explain relationships with shareholders who qualify as related parties for the purposes of the applicable accounting standards.

→ 192 Relationships with related parties

Publications on transactions with related parties in accordance with Section 111c of the German Stock Corporation Act (AktG) can be found on the website:

→ www.fuchs.com/group/investor-relations/statutory-publications/related-party-transactions

Takeover law disclosures

The takeover law disclosures required pursuant to Sections 289 a and 315 a of the German Commercial Code (HGB) are presented below.

Composition of issued capital

As of December 31, 2022, the issued capital of the company amounted to €139 million. The share capital is divided into €69.5 million no-par-value registered ordinary shares and €69.5 million no-par-value registered preference shares. Each share class therefore accounts for 50 % of the company's share capital. Each share is assigned a nominal value of €1 as of the end of the reporting period.

The ordinary shares grant the rights provided for by the German Stock Corporation Act (AktG). The preference shares grant the same rights relating to company issues, with the exception of voting rights. The rights and duties of the shareholders are based on the regulations of the German Stock Corporation Act (AktG), and in particular on Article 9 of the SE Regulation in conjunction with Sections 12, 53a et seq., 118 et seq. and 186 AktG.

In accordance with the company's Articles of Association, the unappropriated profits are used in the following order:

a. For payment of any remaining profit shares on the non-voting preference shares from previous years
b. For payment of a preference profit share of €0.03 per non-voting preference share of no par value
c. For payment of an initial profit share of €0.02 per ordinary share of no par value
d. For equal payment of further profit shares on the ordinary shares and the non-voting preference shares, unless the Annual General Meeting decides on another use.

Restrictions relating to voting rights or the transfer of shares

RUDOLF FUCHS GMBH & CO. KG, Mannheim, together with members of the Fuchs family, forms Schutzgemeinschaft Fuchs. Within Schutzgemeinschaft Fuchs, there are restrictions on the exercise of voting rights and the transfer of shares. The voting rights of all members of Schutzgemeinschaft Fuchs are exercised uniformly by the management of the Schutzgemeinschaft. In the event of paid and free transfers of shares by members of the Fuchs family or by RUDOLF FUCHS GMBH & CO. KG to third parties, the shares must first be offered internally within Schutzgemeinschaft Fuchs.

In addition, RUDOLF FUCHS has GMBH & CO. KG and several members of Schutzgemeinschaft Fuchs have also concluded a voting trust and escrow agreement. This states that shares may only be transferred to signatories of this voting trust and escrow agreement.

Shares, which are offered for sale to entitled employees in Germany at preferential conditions within the context of the employee share program, have a one-year lock-up period. Preference shares acquired by members of the Executive Board and the Supervisory Board as part of their remuneration scheme have a vesting period of four years which also continues to apply if the member leaves the respective executive body.

The Executive Board is not aware of any other restrictions on voting rights or the transfer of shares that go beyond the statutory provisions such as Sections 136 and 71b of the German Stock Corporation Act (AktG).

Capital holdings exceeding 10% of voting rights

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

Schutzgemeinschaft Fuchs holds the majority of the capital stock with voting rights. RUDOLF FUCHS GMBH & CO. KG holds 50% of the voting rights. The individuals who are members of the Fuchs family hold a further 5%. Schutzgemeinschaft Fuchs therefore holds 55% of the total voting shares.

Shares with special rights bestowing control

There are no shares with special rights bestowing control.

Nature of voting right control if employees hold interests in capital and do not exercise their control rights directly

As is the case with other shareholders, employees who hold interests in the company's capital can exercise their control rights directly in accordance with the legal provisions and terms of the company's Articles of Association.

Statutory regulations and provisions of the Articles of Association for the appointment and dismissal of members of the Executive Board and the amendment of the Articles of Association

With regard to the appointment and dismissal of members of the Executive Board, the company's Articles of Association, in their current form, comply with the legal requirements of Article 39 of the SE Regulation, Section 16 of the German SE Implementation Act, and Sections 84 and 85 of the German Stock Corporation Act (AktG). The Supervisory Board thereby determines the number of Executive Board members (at least three), appoints the Executive Board members and may appoint a chairman and a vice-chairman. The members of the Executive Board shall be appointed for a maximum term of five years. In line with recommendation B.3, initial appointments should be made for a maximum of three years. Re-appointments are permitted. If good cause for dismissal exists, the Supervisory Board may remove a member of the Executive Board at any time. The Supervisory Board shall decide on appointments and dismissals at its own discretion.

Amendment of the company's Articles of Association is subject to Art. 59 para. 1 of the SE Regulation which requires a decision by the Annual General Meeting taken by a majority of not less than two-thirds of the votes cast, unless the rules applicable to German public limited companies provide for or permit a larger majority. For amendments to the Articles of Association, Section 179(2) of the German Stock Corporation Act (AktG) stipulates a majority of at least three-quarters of the share capital represented in the decision-making process. The Supervisory Board shall, in accordance with Section 12(1) of the Articles of Association, have the right to make amendments to the statutes which concern only the wording.

Authorization of the Executive Board to issue and buy back shares

The Articles of Association contain no authorization to perform a capital increase from authorized capital.

The Annual General Meeting on May 5, 2020, authorized the Executive Board, with the approval of the Supervisory Board, to acquire own ordinary or preference shares by May 4, 2025, for all legally admissible purposes up to a value of 10% of the share capital in place at the date of the resolution. The authorization to acquire and then use own shares that have been acquired can be exercised once or on multiple occasions in full or in part. These authorizations can be exercised to acquire and use both ordinary shares and preference shares, or to acquire and use only ordinary shares or only preference shares.

On June 21, 2022, the Executive Board of FUCHS PETROLUB SE, with the approval of the Supervisory Board, made use of the authorization granted by the Annual General Meeting on May 5, 2020 and resolved a share buyback program with regard to ordinary shares and preference shares. Under the share buyback program, up to 6 million shares, of which up to 3 million are ordinary shares and up to 3 million are preference shares in the Company, are to be purchased in the period from June 27, 2022 to March 29, 2024 at the latest for a total purchase price of up to €200 million. Under the share buyback program, FUCHS PETROLUB SE repurchased 1,255,771 ordinary shares and 1,055,770 preference shares by December 31, 2022.

Significant company agreements subject to a change of control following a takeover bid

The company has agreements with one bank that enable the termination or repayment of a line of credit/loan granted with a total value of €122 million in the event of a change in control, insofar as it is not possible to reach an agreement on the continuation of credit facilities.

Company agreements for compensation of members of the Executive Board or employees in the event of a takeover bid

There are no agreements for compensation with the members of the Executive Board or employees in the event of a takeover bid.

Dependent company report / report on investments in affiliated companies

The Fuchs family holds the majority of the capital stock with voting rights. RUDOLF FUCHS GMBH & CO. KG, via which most of the Fuchs family's ordinary stock is held, is the controlling enterprise for FUCHS PETROLUB SE, which is a dependent company.

A dependent company report has therefore been prepared on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG) with the concluding declaration: "In the legal transactions listed in the report on relationships with affiliated companies and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. No measures subject to disclosure occurred on the instruction or in the interest of the controlling company or any company affiliated with it."

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Mannheim branch, the independent auditor of FUCHS PETROLUB SE, has audited this dependent company report and provided it with an unqualified audit opinion.

Financial Report

€ 3,412 million
Sales revenues

€ 365 million
EBIT

€ 172 million
FUCHS Value Added

3

Financial Report

* Part of the notes.

The figures in parentheses refer to the same period of the previous year. Percentages refer to full millions.

3.1 Consolidated financial statements of FUCHS PETROLUB SE

Income statement

				Change	
in € million	Note	2022	2021	absolute	relative in %
Sales revenues	(1)	3,412	2,871	541	19
Cost of sales	(2)	–2,358	–1,906	–452	24
Gross profit		**1,054**	**965**	**89**	**9**
Selling and distribution expenses	(3)	–458	–412	–46	11
Administrative expenses	(4)	–169	–153	–16	10
Research and development expenses	(5)	–69	–59	–10	17
Other operating income and expenses	(6)	–2	13	–15	–
EBIT before income from companies consolidated at equity		**356**	**354**	**2**	**1**
Income from companies consolidated at equity	(7)	9	9	0	0
Earnings before interest and tax (EBIT)		**365**	**363**	**2**	**1**
Financial result	(8)	–8	–5	–3	60
Earnings before tax (EBT)		**357**	**358**	**–1**	**0**
Income taxes	(9)	–97	–104	7	–7
Earnings after tax		**260**	**254**	**6**	**2**
Thereof					
Non-controlling interests	(10)	1	1	0	0
Profit attributable to shareholders of FUCHS PETROLUB SE		259	253	6	2
Earnings per share in €	(11)				
Ordinary share basic		1.87	1.82	0.05	3
Ordinary share diluted		1.87	1.82	0.05	3
Preference share basic		1.88	1.83	0.05	3
Preference share diluted		1.88	1.83	0.05	3

Statement of comprehensive income

in € million	**2022**	2021
Earnings after tax	**260**	**254**
Other comprehensive income		
Amounts of other comprehensive income that may be reclassified to profit or loss in future periods		
Change in foreign currency translation adjustments		
of foreign subsidiaries	11	53
Shares in companies consolidated at equity	4	–10
Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods		
Remeasurements of defined benefit pension commitments	21	16
Profit-neutral changes of shares in companies consolidated at equity	0	0
Deferred taxes on these amounts	–6	–3
Total other comprehensive income	**30**	**56**
Total income and expenses for the period	**290**	**310**
Thereof		
Non-controlling interests	1	1
Profit attributable to shareholders of FUCHS PETROLUB SE	289	309

For further explanations, see note 26 to the consolidated financial statements.

→ 175 Pension provisions

Balance sheet

in € million	Note	Dec 31,2022	Dec 31,2021	Change absolute	Change relative in %
Assets					
Goodwill	(14)	254	247	7	3
Other intangible assets	(14)	93	107	– 14	– 13
Property, plant and equipment	(15)	751	744	7	1
Shares in companies consolidated at equity	(16)	54	43	11	26
Other financial assets	(17)	8	8	0	0
Deferred tax receivables	(18)	38	35	3	9
Other receivables and other assets	(22)	7	6	1	17
Non-current assets		**1,205**	**1,190**	**15**	**1**
Inventories	(19)	635	507	128	25
Trade receivables	(20)	507	431	76	18
Tax receivables	(21)	8	6	2	33
Other receivables and other assets	(22)	42	31	11	35
Cash and cash equivalents	(23)	119	146	– 27	– 18
Assets held for sale	(24)	7	0	7	–
Current assets		**1,318**	**1,121**	**197**	**18**
Total assets		**2,523**	**2,311**	**212**	**9**

Balance sheet

in € million	Note	Dec 31, 2022	Dec 31, 2021	Change absolute	Change relative in %
Equity and liabilities					
Subscribed capital		139	139	0	0
Group reserves		1,440	1,361	79	6
Group profits		259	253	6	2
Equity of shareholders of FUCHS PETROLUB SE		1,838	1,753	85	5
Non-controlling interests		3	3	0	0
Total equity	(25)	**1,841**	**1,756**	**85**	**5**
Pension provisions	(26)	7	28	–21	–75
Other provisions	(28)	9	10	–1	–10
Deferred tax liabilities	(18)	53	48	5	10
Financial liabilities	(30)	18	14	4	29
Other liabilities	(31)	1	2	–1	–50
Non-current liabilities		**88**	**102**	**–14**	**–14**
Trade payables	(27)	231	227	4	2
Other provisions	(28)	15	16	–1	–6
Tax liabilities	(29)	18	24	–6	–25
Financial liabilities	(30)	161	35	126	> 100
Other liabilities	(31)	169	151	18	12
Current liabilities		**594**	**453**	**141**	**31**
Total equity and liabilities		**2,523**	**2,311**	**212**	**9**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Equity capital generated by the Group	Currency translation [1]	**Shareholders' equity**	Non-controlling interests	**Total equity**
As of December 31, 2020	**139**	**97**	**1,427**	**–84**	**1,579**	**1**	**1,580**
Adjustments IAS 29 "Hyperinflationary economies"			1		1	0	1
Acquisition of a subsidiary with non-controlling interests			0		0	1	1
Share-based compensation with equity instruments			1		1	0	1
Dividend payments			–137		–137	0	–137
Earnings after tax 2021			253		253	1	254
Change in other comprehensive income			13 [2]	43	56	0	56
As of December 31, 2021	**139**	**97**	**1,558**	**–41**	**1,753**	**3**	**1,756**
Share-based compensation with equity instruments			0		0	0	0
Dividend payments			–142		–142	–1	–143
Earnings after tax 2022			259		259	1	260
Share buyback			–62	0	–62	0	–62
Change in other comprehensive income			15 [2]	15	30	0	30
As of December 31, 2022	**139**	**97**	**1,628**	**–26**	**1,838**	**3**	**1,841**

[1] Income and expenses recognized in equity of shareholders of FUCHS PETROLUB SE.
[2] Amounts of other comprehensive income that will not be reclassified to profit or loss in future periods consist of remeasurements of defined benefit pension provisions and profit-neutral fair value changes of equity instruments. These amounts are included in the equity capital generated in the Group.

Changes in the equity are illustrated in note 25.

→ 174 Total equity

Statement of cash flows

in € million	2022	2021
Earnings after tax	**260**	**254**
Depreciation, amortization and impairment of non-current assets	94	86
Change in non-current provisions and in other non-current assets (covering funds)	–1	–4
Change in deferred taxes	–6	0
Non-cash income from companies consolidated at equity	–9	–9
Dividends received from companies consolidated at equity	8	8
Gross cash flow	**346**	**335**
Gross cash flow	346	335
Change in inventories	–131	–132
Changes in trade receivables	–77	–45
Change in trade payables and remaining other liabilities[1]	2	25
Change in other assets and other liabilities (excluding financial liabilities)	–11	–15
Share-based remuneration	0	1
Net gain/loss on disposal of non-current assets	–1	0
Cash flow from operating activities	**128**	**169**
Investments in non-current assets	–69	–80
Proceeds from the disposal of non-current assets	2	1
Cash paid for acquisitions	–2	–30
Cash acquired through acquisitions	0	1
Cash flow from investing activities	**–69**	**–108**
Free cash flow before acquisitions[2]	61	90
Free cash flow	**59**	**61**
Dividends paid for previous year	–143	–137
Purchase of own shares	–62	0
Changes in financial liabilities	119	5
Cash flow from financing activities	**–86**	**–132**
Cash and cash equivalents as at Dec 31 of the previous year	**146**	**209**
Cash flow from operating activities	128	169
Cash flow from investing activities	–69	–108
Cash flow from financing activities	–86	–132
Effect of currency translations	0	8
Cash and cash equivalents at the end of the period	**119**	**146**

[1] Remaining other liabilities relate to advance payments received and liabilities from customer discounts.
[2] Free cash flow before cash paid for acquisitions and before cash acquired through acquisitions.

Income taxes paid amount to €111 million (121) and are included in cash flow from operating activities.

Interest payments amount to €9 million (5), and the interest payments received amount to €1 million (0). Both are included in the cash flow from operating activities.

For further explanation on the statement of cash flows see note 34.

→ 190 Notes to the statement of cash flows

Segments[1]

in € million	EMEA			Asia-Pacific			North and South America			Holding/ consolidation		FUCHS Group		
	2022	2021	Change	**2022**	2021	Change	**2022**	2021	Change	**2022**	2021	**2022**	2021	Change
Sales revenues by customer location	1,775	1,484	291	992	920	72	645	467	178	0	0	3,412	2,871	541
Sales revenues by company location	2,036	1,710	326	929	855	74	653	471	182	–206	–165	3,412	2,871	541
thereof with other segments	194	163	31	0	0	0	12	2	10	–206	–165	0	0	0
Scheduled amortization and depreciation	50	49	1	19	16	3	21	19	2	3	2	93	86	7
Impairment losses[2]	1	0	1	0	0	0	0	0	0	0	0	1	0	1
EBIT before income from companies consolidated at equity	161	157	4	113	122	–9	77	60	17	5	15	356	354	2
Income from companies consolidated at equity	9	9	0	0	0	0	0	0	0	0	0	9	9	0
Segment earnings (EBIT)	170	166	4	113	122	–9	77	60	17	5	15	365	363	2
Shares in companies consolidated at equity	54	43	11	0	0	0	0	0	0	0	0	54	43	11
Additions to non-current assets[3]	37	48	–11	36	23	13	13	11	2	5	10	91	92	–1
Investments	32	43	–11	31	20	11	11	8	3	5	9	79	80	–1
Additions from acquisitions[2]	0	2	–2	0	3	–3	0	0	0	0	0	0	5	–5
Employees as at December 31[4]	3,905	3,860	45	983	944	39	1,063	1,028	35	153	144	6,104	5,976	128
Performance indicators														
Ratio of EBIT before income from companies consolidated at equity to sales revenues in %	7.9	9.2		12.2	14.3		11.8	12.7				10.4	12.3	

[1] Part of the notes.
[2] Relating to property, plant and equipment, goodwill and other intangible assets.
[3] Investments plus additions of rights of use arising from rental and lease contracts – excluding financial instruments, deferred tax assets and assets arising from defined benefit pension plans.
[4] Including trainees.

3.2 Notes to the consolidated financial statements

Basis of preparation

General information

The consolidated financial statements of FUCHS PETROLUB SE, Mannheim, as of December 31, 2022, have been prepared in accordance with the standards and interpretations as specified in the guidelines of the International Accounting Standards Board (IASB), London, as adopted by the EU, and in accordance with the supplementary regulations to be applied as specified in Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB), as applicable at the end of the reporting period. All the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), applicable in the EU, that were required for the financial year 2022, have been applied. No option for early adoption of new standards was used.

The parent company FUCHS PETROLUB SE is a European corporation (Societas Europaea) based in Mannheim (Einsteinstraße 11, 68169 Mannheim), registered with the Register Court of Mannheim, business registration number HRB 717394.

The FUCHS Group focuses 100 % on the development, manufacture and sale of highly efficient lubricant solutions and functional fluids.

The currency used in this report is the euro (€). All amounts are stated in millions of euro (€ million), unless otherwise indicated. The previous-year figures are stated in parentheses. Differences due to rounding may occur as amounts are stated in € million. Percentages refer to full millions.

In order to simplify the presentation, some individual items have been grouped together in the balance sheet and the income statement. However, these items are listed separately and explained in the notes. The income statement has been prepared in accordance with the cost-of-sales method.

The Executive Board at FUCHS PETROLUB SE prepared the consolidated financial statements on March 6, 2023. The consolidated financial statements will be discussed with the Supervisory Board's Audit Committee and then presented to the Supervisory Board for approval during the meeting on March 7, 2023, and released for publication.

With reference to Section 264 (3) of the German Commercial Code (HGB), the following German companies did not apply the provisions contained in Sections 264 to 289f HGB (annual financial statements of corporations) and their disclosure (Section 325 HGB):

- BREMER & LEGUIL GMBH, Duisburg,
- FUCHS FINANZSERVICE GMBH, Mannheim,
- FUCHS LUBRICANTS GERMANY GMBH, Mannheim

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

Application of new accounting standards

The accounting standards to be applied in the financial year 2022 for the first time are outlined in the following section. Their first-time application in the financial year 2022 did not have any effects on the FUCHS Group.

Amendments to IFRS 16 – Leasing – Covid-19-Related Rent Concessions after June 30, 2021

IFRS 16 contains regulations on accounting for changes in lease payments (including rent concessions) at the lessee. For each lease, the lessee must check whether the rent concessions granted represent lease modifications and consequently remeasure the lease liability. There was a temporary practical relief for rental concessions, granted in connection with the Covid-19 pandemic. As a result of this relief, the lessee does not need to account for rent concessions granted in connection with the coronavirus pandemic in accordance with the regulations for lease modifications, but instead as if they were not lease modifications. In response to the continuing impact of the Covid-19 pandemic, IFRS 16 Leases was amended on March 31, 2021, to allow a one-year extension of the practical relief. The amendments extend the practical relief to lease concessions that reduce lease payments originally due on or before June 30, 2022. Previously, only those lease concessions that reduce lease payments and are or were due on or before June 30, 2021 were covered by the relief.

Amendments to IFRS 3 – Reference to the Conceptual Framework
Along with the amended Conceptual Framework, references to the Conceptual Framework were also adjusted in various standards, including IFRS 3. The regulations for the recognition of company acquisitions have not been changed in terms of their content.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds from Sale During Production
The amendments clarify that proceeds received by a company from the sale of items that were produced while it was preparing the asset for its intended use (such as product samples) and the associated costs are to be recognized in profit or loss. It is not permissible to include such amounts in the calculation of acquisition costs.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
The amendments relate to defining which costs a company should include when assessing whether a contract will be loss-making. The cost of performing a contract therefore comprises all costs directly related to the contract. As such, costs that would not be incurred without the contract (incremental cost) as well as other costs directly attributable to the contract are to be taken into account.

Improvements to IFRS 2018 – 2020
As a result of the Annual Improvements to IFRSs, the standards IFRS 1, IFRS 9, IFRS 16, and IAS 41 were amended.

The FUCHS Group currently assumes that the following future amendments for financial years from 2023 onward, none of which were applied early in 2022, will not have any significant effects on the consolidated financial statements.

Standards adopted by the EU

IFRS 17 – Insurance Policies (Including Amendments to IFRS 17)
IFRS 17 replaces IFRS 4 and, for the first time, introduces uniform requirements for the recognition, measurement, presentation and disclosure of insurance policies, reinsurance contracts and investment contracts with discretionary profit sharing. The June 2020 amendments include a postponement of the initial application of IFRS 17 from January 1, 2021 for two years to January 1, 2023. Early application of the amendments is permitted.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosures of Accounting Policies
The amendment to IAS 1 requires that only the 'substantial' accounting policies be disclosed in the notes. To be material, the accounting method must be related to material transactions or other events and there must be an occasion for presentation. One occasion may be, for example, that the method has been changed, that it is an option, that the method is complex or highly discretionary, or that it has been developed in accordance with IAS 8.10-11. The amendments to Practice Statement 2 illustrate accordingly how the concept of materiality is applied to the disclosure of accounting policies. In the future, this will focus on company-specific statements rather than standardized ones. These amendments are applicable for reporting periods starting on or after January 1, 2023. Early application of the amendments is permitted.

Amendments to IAS 8 – Definition of Accounting Estimates

The amendment to IAS 8 clarifies how companies can better distinguish amendments in accounting policies from amendments in estimates. It is defined thereto that an accounting estimate always refers to a valuation uncertainty of a financial magnitude in the financial statements. In addition to input parameters, a company uses valuation procedures to obtain an estimate. Valuation methods may be estimation methods or valuation techniques. These amendments are applicable for reporting periods starting on or after January 1, 2023. Early application of the amendments is permitted.

Amendments to IAS 12 Deferred Taxes

The amendments address previous uncertainties in accounting for deferred taxes related to leases and decommissioning/restoration obligations. When assets and liabilities are recognized for the first time, the initial recognition exemption (IAS 12.15) has already been applied in certain circumstances. As an exception, deferred taxes should not be applied in such cases. In practice, there was uncertainty as to whether this exemption would also apply to leases and decommissioning/restoration obligations. A narrow-scope amendment has now been made to IAS 12 to ensure consistent application of the standard. As a result of this amendment, the initial recognition exemption no longer applies to transactions in which both deductible and taxable temporary differences of the same amount arise on initial recognition, even if the other pre-existing conditions are met. This is therefore a counter-exception to the "initial recognition exemption" for narrowly defined cases. The amendments mean that deferred taxes are to be applied, for example, to leases booked with the lessee and to commissioning/restoration obligations. These amendments are applicable for reporting periods starting on or after January 1, 2023. Early application of the amendments is permitted.

Standards not yet adopted by the EU

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

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

Amendments to IAS 16 – Leasehold Liabilities from Sale and Leaseback

The amendment concerns the accounting for lease liabilities arising from sale-and-leaseback transactions and requires a lessee to measure the lease liability following a sale in such a way that he does not recognize in profit or loss any amount related to the retained right of use. Inter alia, the newly inserted paragraphs explain, by way of examples, different possible approaches, particularly in the case of variable lease payments.

Subject to endorsement by the EU, these amendments are applicable for financial years starting on or after January 1, 2024. Early adoption of the amendments is permitted, provided they are endorsed by the EU.

Amendments to IAS 1 – Classification of Liabilities as Current and Non-current

The adopted amendments to IAS 1 in January 2020 relate to a limited adjustment of the assessment criteria for classifying liabilities as current or non-current. It is clarified that the classification of liabilities as current depends on whether the entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after that date. If such rights exist, the liability shall be classified as non-current. The right to defer settlement of the liability must be substantial. If the entity must fulfill certain conditions in order to exercise such a right, these conditions must be fulfilled at the end of the reporting period; otherwise, the liability is to be classified as current. For the classification of a liability, it is irrelevant whether the management intends or expects the liability to be actually met within twelve months after the reporting period. Only rights to defer payment of the debt by at least 12 months at the end of the reporting period are decisive for classification. This also applies in the case of settlement within the adjusting events period.

The amendments were supplemented by a further amendment to IAS 1 published in October 2022. The new amendment concerns the classification of debts subject to covenants. The IASB clarifies that covenants to be met before or at the balance sheet date may have an impact on classification as short term or long term. On the other hand, covenants that are only required to be met after the balance sheet date do not affect classification. Rather than being considered in the classification, such covenants should be disclosed in the Annexes. This is intended to enable the addressees of the financial statements to assess the extent to which non-current liabilities could become repayable within 12 months.

Subject to endorsement by the EU, these amendments are all applicable for reporting periods starting on or after January 1, 2024. Early adoption of the amendments is permitted, provided they are endorsed by the EU.

Scope of consolidation

Overview scope of consolidation

Number	EMEA	Asia-Pacific	North and South America	Total
Fully consolidated companies (incl. parent company)				
Jan 1, 2022	**36**	**19**	**9**	**64**
Additions	1	0	0	1
Mergers	–1	0	0	–1
Dec 31, 2022	**36**	**19**	**9**	**64**
Companies consolidated at equity				
Jan 1, 2022	**10**	**0**	**0**	**10**
Additions	1	0	0	1
Disposals	0	0	0	0
Dec 31, 2022	**11**	**0**	**0**	**11**

FUCHS PETROLUB SE, Mannheim, is a group company of RUDOLF FUCHS GMBH & CO. KG, Mannheim, which prepares the consolidated financial statements for the largest scope of consolidation. The consolidated financial statements of RUDOLF FUCHS GMBH & CO. KG are filed with the Company Register.

In addition to FUCHS PETROLUB SE, all German and international subsidiaries are included in the consolidated financial statements of FUCHS PETROLUB SE, Mannheim, Germany. The year-end financial statements of the subsidiaries are prepared using the same reporting date as the consolidated financial statements (December 31). Most of these subsidiaries are wholly owned, as in the previous year. Shareholdings are disclosed in Note 40.
→ **198 Shareholdings**

The total number of fully consolidated companies, including the parent company, is 64 (64) companies. In addition, 11 (10) companies consolidated at equity are included. Changes to the scope of consolidation in 2022 are explained in the following section.

Changes in the scope of consolidation

Additions from fully consolidated companies

	in %
FUCHS GMBH, Germany	100

Mergers of fully consolidated entities

	in %
FUCHS LUBRITECH GMBH, Germany	100

Additions to companies consolidated at equity

	in %
E-Lyte Innovations GmbH, Germany	28

Company founded

In the second quarter of 2022, FUCHS GMBH, Mannheim, was newly established as a shelf company. The registration of the company in the commercial register was made on June 30, 2022.

Mergers

The two domestic subsidiaries FUCHS SCHMIERSTOFFE GMBH and FUCHS LUBRITECH GMBH merged into one company in the first half of the year. The merger was effected by means of amalgamation with effect from June 3, 2022. In a first step, FUCHS LUBRITECH GMBH as the transferring legal entity was merged with FUCHS SCHMIERSTOFFE GMBH as the acquiring legal entity. As both companies are on the same group level, this was what is known as a sideways merger. In a second step, FUCHS SCHMIERSTOFFE GMBH was renamed FUCHS LUBRICANTS GERMANY GMBH; this took place when the merger became effective on June 3, 2022. The merger has no accounting effects on the FUCHS Group's net assets, financial position and results of operations.

Acquisitions

FUCHS LUBRICANTS GERMANY GMBH, Mannheim, acquired a stake of around 28 percent or €5.6 million in E-Lyte Innovations GmbH, Münster, at the end of May 2022. These shares are recognized in the FUCHS consolidated financial statements under shares in companies consolidated at equity. As of June 31, 2022, €2.0 million was paid into the total equity of E-Lyte Innovations GmbH. The participation agreement provides for additional non-conditional obligations to contribute to E-Lyte Innovations GmbH's capital reserves totaling €3.6 million up to January 31, 2023, which were recorded as other current liabilities (to the investee) as at December 31, 2022.

The young company E-Lyte Innovations GmbH develops and produces pioneering liquid electrolytes for high-performance batteries in the industrial and automotive sectors. With the new investment, FUCHS is entering the fast-growing market for electrolytes, which are becoming increasingly important as an essential component of lithium-ion batteries for e-mobility, among other things, especially in and from Europe. The participation agreement also opens up the possibility of successively acquiring further shares.

Together, the next step will be to create the necessary manufacturing infrastructure at the FUCHS site in Kaiserslautern to enable industrialization, scaling and further growth. Investments are being made in particular in production facilities and laboratory equipment. Production at E-Lyte Innovations GmbH is scheduled to start in the summer of 2023. The third partner in the joint venture – in addition to the founders and FUCHS – is the German company Customcells Holding GmbH, Itzehoe, an international leader in the development of special, high-performance lithium-ion battery cells.

Consolidation principles

Pursuant to IFRS 3, all business combinations are accounted for with the purchase method of accounting at the acquisition date. Initially, all assets, liabilities and additional other intangible assets to be capitalized are measured at fair value. The acquisition costs of investments in companies are then compared with the proportional share of the net assets acquired at fair value. The resulting positive differences are capitalized as goodwill. Negative differences are reviewed once more, then recognized directly in profit or loss. The incidental acquisition costs of a business combination are recognized in profit or loss. Pursuant to IAS 36, the value of the goodwill is calculated on the basis of goodwill impairment tests performed at least once each year or whenever there are indications of an impair-

ment. For details on this, please refer to the section entitled "Accounting policies" and Note 14.
→ 145 Accounting policies

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the point in time in which control begins and up to the point in time when control ends.

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

The consolidation principles apply accordingly to the joint ventures and associates accounted for using the equity method. In the event of losing joint control or key influence, the remaining shares are remeasured at fair value through profit and loss.

Associates are companies over which the company has a significant influence, but no control or joint control on financial and operating policies. A joint venture is an arrangement over which the Group exercises joint control, with rights to the net assets of the arrangement, instead of having rights to its assets and obligations for the liabilities.

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

Sales revenues, expenses and income, and receivables and liabilities between consolidated subsidiaries are netted off. Intercompany profits resulting from sales and services rendered between consolidated subsidiaries and companies consolidated at equity are eliminated. This does not apply to intermediate results which are of minor importance overall for the presentation of a true and fair view of the Group's net assets, financial position and results of operations.

Non-controlling interests in consolidated total equity and consolidated net profit are reported separately from the parent company's ownership interest.

Currency translation

The translation of financial statements prepared in foreign currencies by consolidated companies is accounted for in accordance with IAS 21 on the basis of the functional currency concept. The functional currency is the currency of the primary economic environment in which a company operates. All subsidiaries use their local currency as their functional currency. In the case of companies included in the consolidated financial statements, foreign currency transactions are measured in their functional currency and converted with the applicable spot rate on the business transaction date.

In the financial statements of FUCHS PETROLUB SE and subsidiaries included in consolidation, assets and liabilities in foreign currencies are measured using the exchange rate at the end of the reporting period. Any exchange rate gains or losses not yet realized at the end of the reporting period are recognized in profit or loss.

For consolidation purposes, the financial statements of the subsidiaries prepared in a foreign currency have been translated to euro as follows:

Expenses and income are recognized at the average annual exchange rate in line with the simplification rule of IAS 21.40 (except FUCHS Argentina as a hyperinflationary economy using the closing rate), total equity at historical exchange rates, and assets and liabilities at the exchange rate applicable at the end of the reporting period. The resulting translation adjustments are recognized in equity. The year-on-year change is presented in the statement of comprehensive income. The respective cumulative translation differences are released to income at the time of disposal of subsidiaries.

The currency effects resulting from debt consolidation are also recognized in profit or loss in "Other operating income and expenses."

In the case of intangible assets and property, plant and equipment, the starting and closing balances at the end of the financial year are translated using the relevant closing rate at the end of the reporting period and other movements are translated at average exchange rates. Any differences arising from exchange rate movements are shown separately as exchange rate differences within acquisition and manufacturing costs and with depreciation and amortization adjustments.

Currency translation for the pro rata total equity of joint ventures and associates, which is reflected in the shares in companies consolidated at equity in the balance sheet of the FUCHS Group, is performed at the respective exchange rates on the date of inclusion. The proportional net profits of the joint ventures and associates are translated at the average annual exchange rate (with the exception of: OPET FUCHS, Türkiye, as a country with high inflation at the closing rate) and recognized as income from companies consolidated at equity in the consolidated income statement of the FUCHS Group. Dividend payments of joint ventures and associates are translated at the exchange rate on the distribution date.

The exchange rates that have a significant impact on the consolidated financial statements have moved against the euro as follows:

Closing rates

€ 1	Dec 31, 2022	Dec 31, 2021
US dollar	1.067	1.133
British pound	0.887	0.840
Chinese renminbi yuan	7.358	7.195
Australian dollar	1.569	1.562
South African rand	18.099	18.063
Polish zloty	4.681	4.597
Brazilian real	5.639	6.310
Argentinean peso	189.188	116.759
Russian ruble	78.972	85.300
South Korean won	1,344.090	1,346.380
Swedish krona	11.122	10.250
Turkish lira	19.965	15.234

Average rates

€ 1	2022	2021
US dollar	1.054	1.183
British pound	0.853	0.860
Chinese renminbi yuan	7.080	7.634
Australian dollar	1.517	1.575
South African rand	17.210	17.479
Polish zloty	4.685	4.564
Brazilian real	5.443	6.381
Argentinean peso	136.947	112.383
Russian ruble	73.951	87.226
South Korean won	1,358.070	1,353.910
Swedish krona	10.627	10.145
Turkish lira	17.385	10.466

Accounting policies

The financial statements of FUCHS PETROLUB SE and its subsidiaries in Germany and abroad are prepared in accordance with uniform accounting policies.

The primary assessment concept is the inclusion of historical purchasing or manufacturing costs. Applicable exceptions are indicated accordingly.

The consolidated financial statements are prepared in accordance with the principles of IFRS, as applied in the EU. The recognition, measurement and reporting methods, as well as the notes and disclosures regarding the consolidated financial statements for the financial year 2022, are all made on the same consistent basis.

Exceptions arise from changes due to the adoption of new/revised accounting principles (see "General information") or those aimed at conveying relevant information. If adjustments are made to the previous-year figures, these are explained in the notes to the consolidated financial statements.

In addition to the Group's earnings before interest and tax (EBIT), the EBIT before income from companies consolidated at equity is also reported in the income statement. When comparing this KPI with sales revenues, only those amounts generated from the fully consolidated companies are taken into account in the relative value, both for income and sales revenues.

Significant discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions to be made for some items that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on experience values, the current level of knowledge, information currently available, as well as other factors which the Executive Board deems to be applicable under the respective circumstances. Due to the currently unpredictable global impact of geopolitical tensions and economic uncertainties, including the Ukraine war, China's coronavirus wave, and high inflation, commodity price developments and rising interest rates, these estimates and discretionary exercises are subject to increased uncertainty. The amounts that actually arise may differ from the estimates and judgments.

Future-related assumptions and estimates are necessary, in particular for the assessment, recognition, and measurement of assets and liabilities as listed below:

Goodwill

The recoverable amount is calculated on the basis of goodwill impairment tests performed once a year or more frequently whenever there are indications of an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are measured for the purpose of impairment testing. In the FUCHS Group, goodwill at the regional level is managed by a regional management team that reports to the Executive Board member responsible for the overall region.

If the recoverable amount is lower than the carrying amount of the groups of cash-generating units, the goodwill allocated to this unit is impaired to the recoverable amount. The value in use is determined using a discounted cash flow method. The mid-term planning, which comprises the budget for the following year and four subsequent planning years, serves as the basis for planning.

Besides the fundamental cash flow plans, the determination of the discount rate is also of significance for the impairment test calculations. The discount rate is a weighted average cost of capital (WACC), which is made up of the costs of borrowed capital and equity capital weighted with the capital structure. The basis is the capital structure of similar companies at market value. The shareholders' equity costs are also determined from capital market data using the Capital Asset Pricing Model (CAPM) and are made up of a risk-free interest rate and a risk premium (consisting of the market risk premium and beta factor). The borrowing costs correspond to the risk-free interest rate plus a premium for the credit risk. To present the long-term growth of these companies in years subsequent to mid-term planning, a deduction from the growth rate is taken into account in the discount rate for the terminal value. For further information, please refer to Note 14. → 160 Goodwill and other intangible assets

Recoverability of property, plant and equipment and other intangible assets

Together, the two FUCHS companies FUCHS Ukraine and FUCHS Russia generated about 3% of the Group's sales revenues and 4% of the Group's earnings in the 2022 financial year. Consequently, the direct impact of the war in Ukraine and the sanctions against Russia on the Group's operating result is low. In addition, both companies are continuing their business operations to the extent possible, adapting to the changed conditions and complying with all existing sanctions. The impairment test of significant assets at both companies, in particular property, plant and equipment at our Russian company, based on probability-weighted scenarios of cash flow planning did not indicate any need for impairment as at December 31, 2022.

Indirectly, the war in Ukraine is also presenting FUCHS with major challenges in the form of a reduction in global economic growth, continued high price increases and a further tightening of supply chain situation. However, thanks to our broad-based presence in all regions of the world and our broadly diversified product and customer portfolio, we are able to compensate for temporary economic fluctuations, for example through more favorable developments in other regions, markets or sectors. As at December 31, 2022, there was no need for recognition of impairment loss in respect of property, plant and equipment or other intangible assets.

Measurement of interests in companies consolidated at equity

The difficult economic environment in Zimbabwe, characterized by high inflation, prompted the review of the value of our joint venture FUCHS ZIMBABWE PRIVATE LIMITED, Harare/Zimbabwe, which is included in the FUCHS consolidated financial statements under the shares in companies consolidated at equity. Measurement verification is performed by determining the present value of the estimated future cash flows resulting from dividends in US dollar. An impairment loss reduces income from companies consolidated at equity.

Company acquisitions

The purchase price allocations and calculations of fair values for identified assets and liabilities in the context of company acquisitions are performed on the basis of estimates. Various measurement methods are used to measure other intangible assets. The fair value of customer relations is determined using the residual value method. This takes into account the cash value of the anticipated net cash flow generated by the customer relations, with the exception of all cash flows that are linked to supporting assets. The fair value of technologies is determined using the license price analogy method. This takes into account the discounted estimated usage charge payments, which will likely be saved by having in-house technology. The fair value of contingent consideration is determined on the basis of estimates, as its level depends on future earnings figures of the acquired company.

Measurement of investments to fair value

The fair value of a non-listed investment is determined using a discounted cash flow method. The assumptions underlying the five-year cash planning are based on experience factors, the current level of knowledge and information currently available. In addition to the underlying cash flow projections, the determination of the discount rate is of importance for the impairment 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.

Assets held for sale

The fair value of one developed property and one undeveloped property, both of which were classified as assets held for sale, was derived from the comparative value method. Active market prices for comparable properties in an active market provide the best possible evidence of fair value. Where such information is not available, information from various sources is taken into account, including current prices in an active market for properties of different types, recent prices for similar properties in less active markets, or prices contained as part of current negotiations.

Pension provisions

The expenses from defined benefit plans and pension provisions, as well as assets from pension plans, are determined using actuarial calculations. An actuarial valuation method is used on the basis of various assumptions which may deviate from actual future developments. These include determination of discount rates, future salary and wage increases, future pension increases and the mortality rate. Due to the complexity of the measurement, the basic assumptions made and the long-term nature of the investments involved, defined benefit obligations are extremely sensitive to changes in these assumptions. All parameters are regularly reviewed at the end of the reporting period. Actuarial gains and losses are offset against the Group's retained earnings directly in total 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. For further information, please refer to Note 26.

→ 175 Pension provisions

Realizability of deferred tax assets

The realizability of deferred tax assets depends on the future taxable profits of the respective Group company. If there are any doubts regarding realizability, corresponding impairments are made to the deferred tax assets in individual cases. For further information, please refer to Note 18.

→ 170 Deferred tax assets and liabilities

Climate-driven aspects

The impact of climate change and related natural disasters, such as extreme weather events, can affect both FUCHS operations and our upstream supply chain. As a result, raw materials and consumables needed for production and day-to-day operations may become scarce or no longer available. This can have an immediate effect on our own plants and sites and may limit or even prevent FUCHS from fulfilling its orders. The analysis of insurance-related physical climate risks shows that the FUCHS sites present a markedly low level of risk. To the extent that climate hazards may pose a potential danger to our own sites, any resulting financial losses are transferred to insurance policies.

The shift in societal awareness of climate change and associated regulatory requirements are leading to accelerated automobile electrification. This has an impact on the further development of the conventional powertrain and the suitable lubricants for it. However, regional differences need to be taken into account when converting to battery-powered vehicles. In Europe, the transition is likely to progress the fastest, since the European Union has decided to register only zero-emission new cars as of 2035. As one of the world's largest automotive markets, China is showing strong growth overall. In terms of powertrains, China is showing an openness to technology which will affect the growing demand for automobiles for both conventional and novel powertrain vehicles. The transformation to electric mobility in the US is currently unclear and further development is therefore difficult to estimate at present. Through a balanced portfolio of customers and products, FUCHS seeks to diversify, with the majority of products made and sold by FUCHS being independent of the powertrain. Over the longer term, there is a risk that the removal of the internal combustion engine could lead to a potential decline in sales for certain product groups, such as engine oils and, in some cases, transmission oils. However, the resulting sales losses are expected to be offset by gains in sales revenues and profitability for the new, higher-priced products for electric vehicles.

For further information on climate-related aspects, please refer to the opportunity and risk report as well as the non-financial declaration in the combined management report of FUCHS PETROLUB SE.

→ 67 Opportunity and risk report
→ 86 Non-financial Group declaration

Other key future-related assumptions and estimates are particularly necessary for the assessment, recognition and measurement of:

- impairment losses and reversals of inventories and trade receivables,
- other provisions, such as environmental obligations.

Future actual developments may deviate from these assumptions and estimates due to a variety of factors. The estimates and assumptions used are regularly reviewed. Changes are recognized in profit or loss when better estimates are available.

Sales revenues

Sales revenues comprise revenues from the sale of goods or services within the context of ordinary business operations. These are reported without value-added tax or any other taxes incurred in connection with sales revenues, and net of sales deductions and after the elimination of intra-group transactions. Sales revenues are reported at the amount specified in the contract minus the estimated volume discounts. A refund liability (reported in other liabilities) is recognized for the anticipated volume discount to be paid to the customer for the sales made up to the end of the reporting period. The estimate of liabilities is made up on the basis of past experience (expected value). Sales revenues are realized upon delivery of the products and services and the control in line with IFRS 15 had been transferred to the customer. This relates to a point in time if the property and thus the substantial risks and rewards connected with the goods are transferred and the actual right of control has been transferred to the customer. As the claim for the receipt of the consideration occurs unconditionally at the point in time of satisfying the performance obligation to deliver the goods, a receivable is generally recognized immediately. There is thus no recognition of a contractual asset. Payments are due within an appropriate period after the invoice has been received by the customer. In general, there are no long-term financing components.

Services provided over time are recognized as sales revenues as soon as the respective service has been provided. If there is a right to a consideration in an amount corresponding directly with the value of the performance already completed, sales revenues are recognized at the amount which may be invoiced.

Cost of sales

Cost of sales includes the manufacturing costs associated with products, goods and services sold. In addition to directly attributable costs such as the cost of materials, staff costs and energy costs, this also includes individual manufacturing costs and production-related overheads. These overheads include depreciation and amortization of production buildings and equipment, write-downs of inventories, etc.

Selling and distribution expenses

Selling and distribution expenses include the costs of the sales organization and customer support in addition to the costs for advertising, commission payments and logistics.

Administrative expenses

Administrative expenses comprise staff costs and related costs for management and administration duties if these have not been allocated to other functional areas as services within the Group.

Research and development expenses

Research expenses include costs for identifying alternative materials or products for the control of technical processes. Development involves the application of research results for the development of new products and/or processes prior to the start of commercial exploitation. Development expenses are capitalized as intangible assets when all of the following criteria are met:

- the expenses attributable to the development of the intangible asset can be reliably determined,
- technical and economic completion is feasible,
- future economic benefits is probable and
- there is an intention and possibility of bringing the intangible asset to completion in order to use or sell it.

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

Financial result

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

Interest income is recognized using the effective interest method.

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

Goodwill and other intangible assets

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

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

A useful life of three to five years applies to software. Other intangible assets, such as patents and licenses, are amortized as per their respective, contractually agreed useful life. A useful life of 5 to 13 years was applied to acquired customer relationships in the context of acquisitions.

Depreciation and amortization are reported in the income statement under the department costs for manufacturing, administration, distribution, and research and development.

Property, plant and equipment

All items of property, plant and equipment are recognized at their cost of acquisition or manufacture, less scheduled depreciation and amortization according to use. Government grants are offset against acquisition costs. Depreciation and amortization is applied over the useful life of the property, plant and equipment. Scheduled amortization and depreciation on property, plant and equipment are applied over the following economic useful lives:

Useful life

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

Impairment losses of definite-lived other intangible assets and property, plant and equipment

The carrying amount of definite-lived other intangible assets and property, plant and equipment are evaluated 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 scheduled depreciated or amortized cost of purchase or manufacture. In the income statement, impairment losses are reported as other operating expenses and reversals of impairment losses are reported as other operating income.

Government grants

A government grant is recognized if there is reasonable assurance that the grant will be received and that the entity will comply with the conditions attached to it. Grants relating to expenses are recognized as income on a systematic basis over the period in which the costs they are intended to compensate are recognized.

In respect to grants for an asset, the grant is deducted from the carrying amount of the relevant asset. The grant is then recognized in profit or loss over the useful life of the depreciable asset as a reduced depreciation expense.

Leases

Leases are recognized in the lessee's balance sheet. Lessees recognize a right-of-use asset that constitutes a right to use the underlying asset and a lease liability representing their obligation to make lease payments. There are exemptions for short-term leases and leases for low-value assets which the FUCHS Group utilizes. The provisions on accounting for leases affect the FUCHS Group as a lessee, particularly for leases of real estate and vehicles. Please refer to Note 15 for further information.

→ 164 Property, plant and equipment

Shares in companies consolidated at equity and other financial assets

Companies over which FUCHS exerts significant influence, which is generally assumed with an interest between 20 % and 49 % (associates), are accounted for using the equity method. Joint ventures are also accounted for using the equity method. Besides the investment held, any voting rights distribution in place is also taken into account. Companies are accounted for using the equity method in proportion to the total equity held. Proportionate earnings are recognized in profit or loss and added to the carrying amount. Dividend payments made by joint ventures and associates reduce their total equity and are deducted from the carrying amount without affecting net income.

Gains from the disposal of a company consolidated at equity are reported under income from companies consolidated at equity.

The investment reported under other financial assets relates to a non-listed investment that has been measured at fair value using a discounted cash flow method in line with IFRS 9.

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.

Hyperinflation

For the FUCHS subsidiary in Argentina with the Argentinian peso as functional currency, the standard for hyperinflation (IAS 29) is applied retrospectively, i.e. as if the economy had already been hyperinflationary. The standard requires the adjustment of non-monetary assets and liabilities, total equity and all items of the income statement using a price index for the measuring unit valid on the reporting date. Taking into account the requirements of the FACPCE authority, inflation is based on regularly updated consumer price indices. All amounts in the financial statements of the subsidiary were translated at closing rates. Our joint venture OPET FUCHS in Türkiye, with the Turkish lira as its functional currency, applied the standard relating to hyperinflation (IAS 29) for the first time in financial year 2022. The balance sheet and income statement of the joint venture OPET FUCHS have also been adjusted according to the hyperinflation standard using a price index (Türkiye iStatistik Kurumu – Turkish Statistical Institute) to calculate FUCHS' share of the net assets reflected in the interests in the companies consolidated at equity and of the profit or loss recognized in the income from the companies consolidated at equity, based on inclusion in the FUCHS consolidated financial statements using the at equity method. All amounts in the accounts of the joint venture have been converted to the closing rates. As of 2022, the adjustments outside profit or loss in total equity resulting from the indexation as well as the conversion to the closing rate for the two companies amounting to €6 million (1) will be recorded jointly in the FUCHS Group's foreign exchange reserve in total equity. The effect on the current income of the FUCHS Group is of minor importance. Thus, there are no significant effects on the FUCHS Group's net assets, financial position and results of operations.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial instruments are generally recognized on the settlement date. Derivatives are recognized on the day of trading. In the valuation of financial instruments, a distinction is made between: When measuring financial instruments, a distinction is made between "amortized cost" and "fair value". A further distinction is made between changes in fair value recognized in income and those recognized in other comprehensive income.

Financial assets

The classification and measurement of financial assets is based firstly on the cash flow condition (exclusively cash flows from interest and capital repayment). This means the specific form of the contractually agreed cash flows of an individual financial asset. Secondly, they depend on the business model according to which the portfolios of financial assets are managed.

With the exception of forward currency transactions and the investment described below, both of which are carried at fair value, all other financial assets are measured at amortized cost, unchanged from the previous year, as they meet the cash flow criteria and the "Hold" business model. With the "Hold" business model, the financial assets are to be held to collect the contractual cash flows.

In respect to the classification and measurement of financial assets, one investment is reported at fair value using a discounted cash flow method in line with IFRS 9. For this investment, which is not held for trading as an unlisted equity instrument, the FUCHS Group utilizes the option of recognizing changes at fair value through other comprehensive income in the statement of comprehensive income.

Financial liabilities

- Financial liabilities to be measured at fair value through profit and loss: At the FUCHS Group, this category includes derivatives (forward currency transactions) with a negative fair value, which are reported under other current liabilities, and contingent consideration from company acquisitions, which is reported under other current and non-current liabilities.
- Other financial liabilities: These also include trade payables, bank liabilities and some other liabilities. These are recognized at amortized cost, which generally corresponds to the repayable amount.

The categories and measurement of financial liabilities have not changed since the previous year.

For classifications of financial assets and financial liabilities, please refer to Note 33 "Financial instruments."
→ 183 Financial instruments

In accordance with IFRS 9, impairment on financial assets which is not recognized at fair value in profit and loss must also be taken into account for expected credit losses. The extent is determined both by the credit risk of a financial asset and by the change of the respective credit risk: If the credit risk of the financial asset has significantly increased since its initial recognition, then the expected lifetime credit losses of an asset are recognized. However, if the credit risk has not significantly increased in the stated period of time, then generally only the expected credit losses expected in the next 12 months are recognized as impairment.

In deviation from this method, in line with the planned simplified approach, for example on trade receivables, the expected lifetime credit losses are always reported as impairment. To calculate expected credit losses, discount rates calculated as a percentage are used. They reflect the customer sectors and the economic environment of the respective geographic region.

In addition, trade receivables and other financial assets not recognized at fair value in profit and loss, such as loans and other receivables and other financial assets, are tested for impairment individually if there are objective indications of impairment. If there is objective evidence for an impairment of the previously stated financial assets, an individual valuation adjustment is undertaken. When assessing the need for an impairment, past due payments as well as 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 uncollectability is finally determined. If the reason for an impairment loss no longer exists, a write-up is recognized in profit or loss totaling not more than the amortized cost.

IFRS 9 also contains regulations on the application of hedge accounting, to present the risk management activities of a company better, especially in respect to the management of non-financial risks.

Derivative financial instruments, such as the forward currency transactions used by the Group, are recognized at fair value. Market values correspond to the expenses or income from a (theoretical) termination of the derivative agreements with effect from the end of the reporting period. The valuation of these financial instruments is based on generally recognized evaluation models and mathematical processes (present value method for forward currency transactions) on the basis of current market data.

The FUCHS Group uses derivative financial instruments (derivatives) solely to limit the risks in its operating business and the resultant financial transactions arising from fluctuations in interest rates and exchange rates.

As in the previous year, all hedging instruments are recognized in profit or loss.

Income from interest-bearing assets is recognized on the outstanding receivables at the reporting date using the interest rates calculated under the effective interest method.

Detailed information on financial instruments can be found in the "Notes to the balance sheet" under Note 33.
→ 183 Financial instruments

Deferred taxes
Deferred taxes are recognized for all temporary differences between tax base and IFRS accounting methods at the consolidated companies, and for consolidation measures which affect the income statement. Deferred tax assets essentially relate to tax effects on eliminated intercompany profits within the Group, particularly in the category of inventories, inventories, non-current and current liabilities, and to pension provisions. They also include tax credits which result from the expected use of losses carried forward over subsequent years and which are likely to be realized with sufficient certainty. Deferred tax assets are subject to impairment if the realization of the tax claim is unlikely. Deferred tax liabilities mainly result from long-term asset depreciation differences between the Group's uniform depreciation rules and applicable tax laws, as well as from measurement of assets at fair value pursuant to IFRS within the scope of acquisitions for which the values in the tax balance sheet differ. Deferred taxes are determined on the basis of tax rates to be applied or expected to be applied on the date of realization pursuant to the legislation in the countries involved. Deferred tax assets and liabilities are netted to the extent that they are handled by a single tax authority. The changes in deferred tax assets and liabilities are recognized through profit or loss. In cases where gains and losses are recognized directly in equity, tax assets and liabilities to be deferred in this context are also recognized directly in equity.

Inventories
Inventories comprise raw materials and supplies, work in progress and services, as well as finished products and merchandise. Inventories are measured at cost. If the market price or fair value of the sales product which forms the basis for the net realizable value is lower, then this is applied and an impairment charge recorded. Inventories are measured using the weighted average cost method. The manufacturing costs comprise production-related full costs, determined on the basis of standard capacity utilization.

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

Receivables and other assets
Receivables and other assets are accounted for at amortized cost. Identifiable risks are accounted for with appropriate valuation allowances. Individual allowances are recognized if receivables cannot be collected or if collection is unlikely. Non-interest-bearing receivables with terms of more than one year are discounted. Receivables in foreign currencies are measured with their respective exchange rates at the end of the reporting period.

Cash and cash equivalents
Cash and cash equivalents include securities with terms of less than three months. Cash and cash equivalents are measured at cost.

Assets held for sale
Non-current assets are classified as held for sale when a sale is highly likely and the asset is available for immediate sale in its current state, and it has been decided to sell the asset or the disposal group within one year. These assets, or the disposal group, are measured at their carrying amount respectively fair value less the cost of disposal, whichever is the lower. They are no longer depreciated on a scheduled basis. Impairment expenses on initial classification as held for sale and subsequent revaluation gains and losses are recognized in profit or loss.

Pension provisions and similar obligations
The provisions for pensions are recognized using the projected unit-credit method in accordance with IAS 19. This method covers not only the pensions and acquired entitlements known at the end of the reporting period, but also future anticipated increases in pensions and salaries, with the relevant input factors being estimated. The calculation is based on actuarial expertise taking into account the relevant biometric factors. In Germany, the biometric data is based on the 2018 G mortality tables by Prof. Dr. Klaus Heubeck.

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

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

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

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

Share-based compensation

The members of the Executive Board and Supervisory Board are required to invest part of their compensation in preference shares of FUCHS PETROLUB SE within two weeks of receipt of compensation. The preference shares of the company acquired shall be held for at least four years from the date of their respective acquisition. The freezing period shall also apply beyond the termination of the Executive Board or Supervisory Board activities. The obligatory personal investment and the four-year lock-up period ensure that the recipient of the special-purpose cash payment receives nothing but shares, thus meeting the requirements for share-based compensation with equity instruments under IFRS 2. This part of the cost-effective compensation is recognized in total equity in accordance with IFRS 2. Detailed information on share-based compensation can be found under Note 36 Relationships with related parties → 192 Relationships with related parties and Note 37 Information on the company's executive bodies → 194 Information on the company's executive bodies.

Other provisions

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

Liabilities

Liabilities are generally recognized at amortized cost. Derivatives and contingent consideration from company acquisitions are an exception here, as they are recognized at fair value.

Lease liabilities are reported at the present value of future lease payments and reported in current and non-current financial liabilities.

Notes to the income statement

1 Sales revenues

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

The product area automotive lubricants particularly includes engine oils, gear oils and shock-absorber fluids. Sales revenues of this product area realized in relation to a point in time were above the previous year at €1,496 million (1,295) in the FUCHS Group. The share of the group's turnover is 44% (45).

The industrial lubricants and specialties product group mainly comprises metalworking fluids, corrosion preventatives, hydraulic and gear oils, greases, and other specialties. Sales revenues of this product group realized in relation to a point in time were above the previous year at €1,807 million (1,484) in the FUCHS Group. At 53% (52), this group represents the largest share of Group sales revenues.

Other products mainly include toll blending, chemical process management and trade activities. Its share in the FUCHS Group increased to €109 million (92), while its share of consolidated sales revenues was unchanged at 3%.

Breakdown of sales revenues by product group

	EMEA		Asia-Pacific		North and South America		FUCHS Group	
2022	in € million	in %	in € million	in %	in € million	in %	in € million	in %
Automotive lubricants	889	48	506	54	101	16	1,496	44
Industrial lubricants and specialties	873	48	414	45	520	81	1,807	53
Other products	80	4	9	1	20	3	109	3
	1,842	**100**	**929**	**100**	**641**	**100**	**3,412**	**100**

	EMEA		Asia-Pacific		North and South America		FUCHS Group	
2021	in € million	in %	in € million	in %	in € million	in %	in € million	in %
Automotive lubricants	728	47	488	57	79	17	1,295	45
Industrial lubricants and specialties	747	48	361	42	376	80	1,484	52
Other products	72	5	6	1	14	3	92	3
	1,547	**100**	**855**	**100**	**469**	**100**	**2,871**	**100**

2 Cost of sales

in € million	**2022**	2021
Cost of purchased raw materials, supplies, goods for resale and purchased services	2,114	1,699
Cost of materials	**2,114**	**1,699**
Staff costs	121	102
Depreciation and amortization of property, plant and equipment and other intangible assets	42	37
Third-party services	33	29
Maintenance costs	20	17
Energy costs	17	13
IT/ERP costs	2	2
Other costs	9	7
	2,358	**1,906**

3 Selling and distribution expenses

in € million	2022	2021
Staff costs	204	188
Freight	134	115
Depreciation and amortization of property, plant and equipment and other intangible assets	32	31
Third-party services	18	16
Commission payments	16	16
Marketing costs	14	14
Travel expenses	12	8
IT/ERP costs	5	4
Maintenance costs	4	4
Rental and lease expenses	2	2
Other taxes	2	1
Other costs	15	13
	458	**412**

Marketing costs also include expenses for automotive and motorbike sponsoring, participation in trade fairs, advertising materials, promotional gifts, and advertisements. Other costs include pro rata energy costs, costs of communication and pro rata insurance premiums.

4 Administrative expenses

in € million	2022	2021
Staff costs	96	89
IT/ERP costs	15	13
Depreciation and amortization of property, plant and equipment and other intangible assets	13	13
Third-party services	12	10
Audit and consultancy costs	6	6
Travel expenses	3	1
Maintenance costs	2	2
Rental and lease expenses	2	1
Other taxes	5	4
Other costs	15	14
	169	**153**

IT/ERP costs comprise expenses in connection with IT operations and costs for ERP systems used to manage business processes. Other costs include pro rata energy costs, communication costs and pro rata insurance premiums.

5 Research and development expenses

in € million	2022	2021
Staff costs	45	38
Third-party services	10	9
Depreciation and amortization of property, plant and equipment and other intangible assets	6	5
Maintenance costs	2	2
Other costs	6	5
	69	**59**

6 Other operating income and expenses

This item includes all operating income and expenses that cannot be allocated directly to the functions.

Other operating income and expenses

in € million	2022	2021
Income from		
Currency exchange gains	14	8
Reversal of provisions	2	3
Licenses and own work capitalized	3	2
Reversals of write-downs of receivables	1	1
Cost allowances	2	2
Release of other liability from contingent consideration	0	1
Disposals of fixed assets	1	1
Miscellaneous operating income	8	11
Other operating income	**31**	**29**
Currency exchange losses	20	7
Write-downs of receivables	4	1
Restructuring costs and severance payments	2	2
Losses from the disposal of fixed assets	0	1
Impairments on goodwill	0	0
Impairment losses on assets held for sale	1	0
Miscellaneous operating expenses	6	5
Other operating expenses	**33**	**16**
Other operating income and expenses	**–2**	**13**

Miscellaneous operating income includes income from other sales and services.

The balance of income and expenses from currency translation and exchange rate gains and losses of –€6 million (+1) relates to effects from the currency translation of individual transactions in foreign currencies into the functional currency of the respective FUCHS national company.

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

Miscellaneous operating expenses also include purchase costs for other sales, license expenses, as well as provisions for risks from non-operating items, such as environmental obligations and provisions for transaction tax risks.

7 Income from companies consolidated at equity

Income from companies consolidated at equity includes the pro rata earnings from joint ventures and associated companies.

Income from companies consolidated at equity

in € million	2022	2021
Income from companies consolidated at equity	9	9

More information is provided in Note 16 Shares in companies consolidated at equity.

→ 168 Shares in companies consolidated at equity

8 Financial result

in € million	2022	2021
Other interest and similar income	1	0
Interest income	**1**	**0**
Interest and similar expenses	–3	–2
Hedging costs of intercompany loans	–5	–2
Leases	–1	–1
Pension obligations		
Interest expense	–2	–1
Interest income from plan assets	2	1
Interest expenses	**9**	**5**
Financial result	**–8**	**–5**

9 Income taxes

Taxes on income comprise income taxes paid or payable in the various countries, plus deferred taxes. The calculation of deferred taxes is based on the tax rates expected to apply in the various countries at the time of realization, based on the tax laws applicable or passed at the end of the reporting period.

Income taxes

in € million	2022	2021
Current taxes	102	105
thereof Germany	39	42
thereof international	63	63
Deferred taxes	–5	–1
thereof Germany	–1	2
thereof international	–4	–3
Total	**97**	**104**

Current taxes do not include (0) taxes for past financial years.

The German tax rate is based on the corporation tax rate of 15.8 % (15.8) and includes the solidarity surcharge of 5.5 %. Including trade tax of 15.2 % (15.1), the total tax burden in Germany is about 31.0 % (30.9). Profits generated by our companies outside Germany are taxed at the respective local rates. The tax rates applied in these individual countries for calculating deferred taxes are between 10 % (10) and 34 % (34).

Tax assets and provisions are netted to the extent that they relate to the same taxation authority and may be offset.

The difference between anticipated and recognized income tax expense is attributable to the following:

Tax reconciliation

in € million	2022	in %	2021	in %
Earnings before tax (EBT)	357		358	
Expected tax expense	**111**	**31.0**	**111**	**30.9**
Taxation rate differences	–17	–4.7	–14	–3.9
Non-deductible expenses	4	1.4	5	1.4
Tax-free income	–1	–0.6	–1	–0.2
Income from companies consolidated at equity	–3	–0.8	–3	–0.8
Taxes for prior periods	–1	–0.3	0	0.0
Withholding taxes	4	1.1	6	1.7
Other	0	0.0	0	0.0
Reported tax expense	**97**	**27.1**	**104**	**29.1**

The reported tax expense relative to earnings before tax (EBT) leads to a rate of taxation of 27.1 % (29.1). The Group's tax rate adjusted for income from companies consolidated at equity is 27.9 % (29.8).

10 Non-controlling interests

Profits attributable to non-controlling interests of €1 million (1) relate to shareholders in Austria, Chile, Greece, and Vietnam (previous year also France).

11 Earnings per share

in € million	2022	2021
Profit attributable to shareholders of FUCHS PETROLUB SE	**259**	**253**
Earnings per ordinary share in €		
Earnings per share	1.87	1.82
Weighted average number of ordinary shares	69,172,414	69,500,000
Earnings per preference share in €		
Earnings per share	1.88	1.83
Weighted average number of preference shares	69,214,835	69,500,000

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

In accordance with the rules laid down in IAS 33.20, own shares acquired under the share buyback program are not taken into account in calculating earnings per share.

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

12 Other taxes

The reported figure of €8 million (7) relates to non-income taxes, which are included in the operating function costs. €6 million (5) of this amount is attributable to foreign Group companies in Argentina, China, France, Great Britain, and the USA.

13 Staff costs / employees

Staff costs

in € million	2022	2021
Wages and salaries	394	350
Social security contributions and expenses for pensions and similar obligations	72	67
thereof for pensions	12	11
	466	**417**

Staff costs of €121 million (102) are attributable to cost of sales, €204 million (188) to selling and distribution expenses, €96 million (89) to administrative expenses and €45 million (38) to research and development expenses.

For preference shares with a value of €0.3 million (0.5), which were offered for sale to entitled employees in Germany at preferential conditions within the context of the employee share program, there were expenses of €0.0 million (0.1).

Employees

Annual average	2022	2021
EMEA	3,903	3,836
Asia-Pacific	969	933
North and South America	1,046	949
Holding companies	149	140
Number of employees	**6,067**	**5,858**
thereof trainees	**125**	**128**

The average number of employees includes trainees.

Notes to the balance sheet

14 Goodwill and other intangible assets

Development of goodwill and other intangible assets in 2022

in € million	Enterprise or Goodwill	Miscellaneous intangible assets	Advance payments on intangible assets	Total other intangible assets
Acquisition and manufacturing costs (gross)				
Dec 31, 2021	273	282	3	285
Currency exchange differences	5	3	0	3
Additions from acquisitions	0	0	0	0
Additions	0	2	3	5
Disposals	0	0	0	0
Reclassifications	0	3	–2	1
Dec 31, 2022	278	290	4	294
Accumulated amortization				
Dec 31, 2021	26	178	0	178
Currency exchange differences	–2	0	0	0
Scheduled amortization and depreciation	0	23	0	23
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Dec 31, 2022	24	201	0	201
Net value as of Dec 31, 2022	**254**	**89**	**4**	**93**

For information on the additions from acquisitions, please refer to the section on acquisitions.

→ **63** Acquisitions

Development of goodwill and other intangible assets in 2021

in € million	Enterprise or Goodwill	Miscellaneous intangible assets	Advance payments on intangible assets	Total other intangible assets
Acquisition and manufacturing costs (gross)				
Dec 31, 2020	262	269	2	271
Currency exchange differences	10	7	0	7
Additions from acquisitions	1	4	0	4
Additions	0	3	1	4
Disposals	0	–1	0	–1
Reclassifications	0	0	0	0
Dec 31, 2021	273	282	3	285
Accumulated amortization				
Dec 31, 2020	26	154	0	154
Currency exchange differences	0	3	0	3
Scheduled amortization and depreciation	0	22	0	22
Impairment losses	0	0	0	0
Disposals	0	–1	0	–1
Reclassifications	0	0	0	0
Dec 31, 2021	26	178	0	178
Net value as of Dec 31, 2021	**247**	**104**	**3**	**107**

Goodwill of the cash-generating units

Overview of the goodwill

in € million	2022	2021
North America	171	164
Germany and Benelux	48	48
Another seven (seven) goodwill-carrying units	35	35
Goodwill	**254**	**247**

Goodwill is not subject to any amortization, but undergoes an impairment test at least once a year in line with IAS 36 and also whenever there are indications of an impairment. Impairment losses are recognized as and when appropriate.

An impairment is to be recognized if the carrying amount of the net assets of the cash-generating unit or group of cash-generating units, including assigned goodwill, exceeds the recoverable amount. In the FUCHS Group, goodwill is managed by a regional management team. 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 mid-term planning, which consists of the budget plan for 2023 and generally the planning years 2024 to 2027, was used as the basis for cash flow planning. The planning is based on past experience, the current operating results, and the best possible estimate of corporate management regarding future developments. The projected figures are based on detailed 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.

Due to the currently unforeseeable global consequences of geopolitical tensions and economic uncertainties, which include the Ukraine war, the Covid-19 wave in China as well as high inflation, commodity price developments and increased interest rates, estimates and judgments are subject to increased uncertainty. Actual amounts may differ from estimates and judgments.

For the time period following mid-term planning, a terminal value is extrapolated based on the last detailed planning year. When determining the terminal value, country-specific growth rates of 0.5 % (0.5) to 1.0 % (1.0) are taken into account to consider inflation-based growth. The impairment tests performed for North America (USA subgroup) and for Germany and Benelux 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 cash-generating units, discount rates of 6 % (6.5) to 13.5 % (12) after taxes were applied, taking into account country-specific risks. Weighted pre-tax discount rates range from 10 % (9) to 17 % (17). A weighted cost of capital of 6 % (7.5) and 7 % (6.5) after taxes or 8 % (10.0) and 10 % (9.5) before taxes was taken into account in the impairment tests performed for North America and for Germany and Benelux.

In financial years 2022 and 2021, there were no impairment losses on goodwill.

Impairment losses are reported in other operating expenses.

Sensitivity calculations were made to account for assessment uncertainties. Firstly, a 20 % reduction of future cash flows was assumed here. Secondly, the weighted average cost of capital was increased by by one percentage point.

As a result of these sensitivity calculations, an additional impairment loss would have been recognized only for the goodwill-bearing unit South Africa. The variant of increasing the weighted average cost of capital by 1 percentage point would have resulted in an impairment loss of €2 million, the variant of reducing future cash flows by 20 % would have resulted in an impairment loss of €5 million on goodwill of €5 million. The recoverable amount for South Africa would correspond to the carrying amount if the weighted average cost of capital were to be increased by 0.7 percentage points or future cash flows were reduced by 7 %.

Other intangible assets

These consist mainly of acquired customer relationships, technologies, formulas, and trademark rights as well as capitalized licenses for computer software. Customer relations acquired through acquisitions over the last six years have a residual book value of around €69 million (81). Their remaining useful life is generally between 3 and 9 years (between 4 and 10 years).

Other intangible assets also comprise advance payments of €4 million (3).

15 Property, plant and equipment

Additions in 2022 are essentially related to the locations in China, Germany, North America and South Africa.

Development of property, plant and equipment in 2022

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Acquisition and manufacturing costs (gross)					
Dec 31, 2021	480	539	195	54	1,268
Currency exchange differences	0	4	–3	0	1
Additions from acquisitions	0	0	0	0	0
Additions	15	15	16	40	86
Adjustment for hyperinflation	1	1	0	0	2
Disposals	–4	–2	–8	0	–14
Reclassification into assets held for sale	–9	0	0	0	–9
Reclassifications	25	11	1	–38	–1
Dec 31, 2022	508	568	201	56	1,333
Accumulated amortization					
Dec 31, 2021	134	257	133	0	524
Currency exchange differences	–1	3	–3	0	–1
Amortization and depreciation	19	33	18	0	70
Impairment losses	1	0	0	0	1
Adjustment for hyperinflation	1	1	0	0	2
Disposals	–4	–2	–7	0	–13
Reclassification into assets held for sale	–1	0	0	0	–1
Reclassifications	0	0	0	0	0
Dec 31, 2022	149	292	141	0	582
Net value as of Dec 31, 2022	**359**	**276**	**60**	**56**	**751**

Development of property, plant and equipment in 2021

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Acquisition and manufacturing costs (gross)					
Dec 31, 2020	422	449	180	105	1,156
Currency exchange differences	13	18	4	2	37
Additions from acquisitions	0	0	0	0	0
Additions	22	18	14	34	88
Adjustment for hyperinflation	1	0	0	0	1
Disposals	–1	–3	–10	0	–14
Reclassifications	23	57	7	–87	0
Dec 31, 2021	480	539	195	54	1,268
Accumulated amortization					
Dec 31, 2020	113	222	121	0	456
Currency exchange differences	4	9	3	0	16
Scheduled amortization and depreciation	17	29	18	0	64
Impairment losses	0	0	0	0	0
Adjustment for hyperinflation	1	0	0	0	1
Disposals	–1	–3	–9	0	–13
Reclassifications	0	0	0	0	0
Dec 31, 2021	134	257	133	0	524
Net value as of Dec 31, 2021	**346**	**282**	**62**	**54**	**744**

Leases

The division between owned and leased property, plant and equipment is as follows:

Division between owned and leased property, plant and equipment as of December 31, 2022

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Owned property, plant and equipment	340	276	50	56	722
Leased property, plant and equipment	19	0	10	0	29
Carrying amount as of Dec 31, 2022	**359**	**276**	**60**	**56**	**751**

Division between owned and leased property, plant and equipment as of December 31, 2021

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Owned property, plant and equipment	329	282	53	54	718
Leased property, plant and equipment	17	0	9	0	26
Carrying amount as of Dec 31, 2021	**346**	**282**	**62**	**54**	**744**

Depreciation, amortization, additions and other changes in leased property, plant and equipment break down by asset class as follows:

Additions, amortization, and other changes in leased property, plant and equipment

in € million	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Work in progress	Total
Carrying amount of leased property, plant and equipment as of Jan 1, 2021	**13**	**0**	**7**	**0**	**20**
Additions	9	0	5	0	14
Depreciation and amortization	–5	0	–4	0	–9
Other changes	0	0	1	0	1
Carrying amount as of Dec 31, 2021	**17**	**0**	**9**	**0**	**26**
Additions	7	0	5	0	12
Depreciation and amortization	–5	0	–5	0	–10
Other changes	0	0	1	0	1
Carrying amount as of Dec 31, 2022	**19**	**0**	**10**	**0**	**29**

Of the additions, €2 million (3) is due to the renewal of rental and leasing contracts.

The breakdown of discounted and non-discounted lease liabilities by maturity is shown in the following table:

Discounted and non-discounted lease liabilities

	Discounted lease liabilities		Non-discounted lease liabilities	
in € million	**2022**	2021	**2022**	2021
Due within one year	7	8	8	8
Due between one and five years	13	12	13	13
Due after more than five years	2	2	2	3
Total	**22**	**22**	**23**	**24**

The amounts from the income statement that are attributable to leases are shown in the following table:

Leases in the income statement

in € million	2022	2021
Depreciation and amortization	10	9
Interest expenses	1	1
Short-term leases with a term of up to 12 months	4	4
Low-value leases	0	0
Other expenses that were not included in the lease liability	1	1

The amounts from the cash flow statement that are attributable to leases are shown in the following table:

Leases in the cash flow statement

in € million	2022	2021
Depreciation and amortization	10	9
Repayment of financial liabilities from leases	9	8
Interest expenses	1	1

Lease payments in connection with short-term leases, leases of low-value assets and other payments that were not included in the lease liability still continue to be reported in cash flow from operating activities.

Future non-recognized lease payments

Future lease-related payments are not included in the measurement of lease liabilities on the basis of IFRS 16 provisions. There are future payments from leases that have not begun but have already been contracted, as well as for short-term leases with a term of 12 months or less and for low-value leases. However, these are not material for the FUCHS Group.

16 Shares in companies consolidated at equity

The position includes eleven (ten) companies consolidated at equity. For the measurement using the equity method, the proportionate total equity was determined on the basis of financial statements as of December 31, 2022, prepared in accordance with the respective national legislation and adapted in line with the requirements of IFRS.

Please refer to the list of shareholdings under Note 40 for information on the composition of joint ventures and associates. → 198 Shareholdings

The following table shows the development of shares in companies consolidated at equity:

Shares in companies consolidated at equity

in € million	2022	2021
Carrying amount of shares in companies consolidated at equity on Jan 1	**43**	**53**
Additions from acquisitions	6	0
Pro rata earnings after tax (closing rate)	9	8
Pro rata dividends received	–8	–8
Pro rata other comprehensive income	4	–10
Carrying amount of shares in companies consolidated at equity on Dec 31	**54**	**43**

The additions from acquisitions involve the acquisition of around 28 % of the shares in E-Lyte Innovations GmbH, Münster, for around €6 million. Due to the joint control arrangement, E-Lyte Innovations GmbH is classified as a joint venture. For further information, please refer to subchapter acquisitions. → 63 Acquisitions

The following table shows the breakdown of the income from companies consolidated at equity:

Income from companies consolidated at equity

in € million	2022	2021
Pro rata earnings after tax (average rate)	9	9
Income from companies consolidated at equity	**9**	**9**

The following table shows summarized earnings data and the carrying amount for the nine (eight) immaterial joint ventures:

Carrying amount and aggregated profit and loss of the joint ventures

in € million	2022	2021
Carrying amount of joint ventures accounted for using the equity method	**40**	**30**
Earnings after tax	8	12
Pro rata earnings after tax	4	6
Pro rata other comprehensive income	3	– 11
Pro rata comprehensive income after tax	**7**	**– 5**

The difficult economic environment in Zimbabwe, characterized by high inflation, prompted the review of the value of our joint venture FUCHS ZIMBABWE PRIVATE LIMITED, Harare/Zimbabwe, which is included in the FUCHS consolidated financial statements as part of the companies consolidated at equity. Valuation verification by determining the present value of the estimated non-performing cash flows resulting from US dollar dividends resulted in an impairment charge of €2 million on a residual carrying amount of €3 million of the shares in companies consolidated at equity. The impairment loss of €2 million reduced income from companies consolidated at equity. The devaluation is a result of the difficult economic environment in Zimbabwe characterized by hyperinflation. The underlying business of the company is solid and dividends are paid out on a regular basis.

The following table shows a summary of earnings and the carrying amount for the two (two) associates, which are immaterial when taken separately:

Carrying amount and summarized earnings of associates

in € million	2022	2021
Carrying amount of associated companies accounted for using the equity method	**14**	**13**
Earnings after tax	16	10
Pro rata earnings after tax	5	3
Pro rata other comprehensive income	1	1
Pro rata comprehensive income after tax	**6**	**4**

17 Other financial assets

in € million	2022	2021
Investments in companies	7	7
Other loans	1	1
	8	**8**

One non-listed investment is measured at fair value using a discounted cash flow method in line with IFRS 9.

In accordance with their financing nature, the non-current portion of the receivables relating to delivery agreements in France of €1 million (1) is reported in other loans.

18 Deferred tax assets and liabilities

The recognized deferred taxes result from the following measurement differences and items:

Deferred tax assets and liabilities

in € million	Deferred tax assets 2022	Deferred tax assets 2021	Deferred tax liabilities 2022	Deferred tax liabilities 2021
Property, plant and equipment	7	7	35	32
Other non-current assets	2	3	21	23
Inventories	17	14	0	0
Other current assets	3	3	1	2
Non-current provisions	4	10	1	1
Other non-current liabilities	4	4	7	7
Current provisions and liabilities	14	14	1	3
Expected use of losses carried forward	0	0	0	0
Total deferred tax assets / liabilities	**51**	**55**	**66**	**68**
Tax offset	–13	–20	–13	–20
Total assets / liabilities	**38**	**35**	**53**	**48**

The total amount of deferred tax assets of €38 million (35) is essentially attributable to measurement differences between the items of inventories (elimination of intercompany profits), non-current provisions (mainly pension obligations), current provisions, and current and non-current liabilities in the IFRS balance sheet and their tax base. The deferred tax liabilities of €53 million (48) are essentially the result of temporary measurement differences (different depreciation methods and useful lives) between the IFRS balance sheet and their tax base in property, plant and equipment, as well as from the measurement of non-current assets at fair value pursuant to IFRS within the scope of acquisitions, for which the values in the tax balance sheet differ. Deferred tax liabilities on property, plant and equipment and deferred tax assets on current and non-current liabilities resulted from the gross presentation of rights of use and lease liabilities in accordance with IFRS, for which there were no tax balance sheet figures.

Tax loss carryforwards in the Group amount to €11 million (10). These items are fully accounted for by the EMEA region (excluding Germany). The deferred taxes of €2 million (2) recognized for this were subject to impairment losses of €2 million (2).

A deferred tax liability of €7 million (7) was recognized for future tax charges associated with planned dividend payments from foreign subsidiaries. In addition, no deferred tax liabilities were recognized on temporary differences of €27 million (26) relating to investments in subsidiaries, as it is not likely that the temporary differences will reverse in the foreseeable future.

The change in the net amount of deferred taxes was €–2 million (–4) in the reporting year. Taking into account deferred taxes for the financial year 2022, which are recognized outside profit or loss and result from the allocation of pension obligations of €–6 million (–3), income from deferred taxes amounting to €5 million (1), taking into account translation effects, is reported in the income statement.

19 Inventories

The reported inventories comprise the following:

Composition of inventories

in € million	Dec 31, 2022	Dec 31, 2021
Raw materials and supplies	261	216
Work in progress	37	24
Finished goods and merchandise	337	267
	635	**507**

In the reporting year, expenses from impaired recoverability amounted to €9 million (4). At the end of the reporting period, the residual carrying amount of inventories that were written down amounted to €12 million (8).

20 Trade receivables

Composition of receivables

in € million	Dec 31, 2022	Dec 31, 2021
Receivables due from customers	495	426
Receivables due from joint ventures and associates	12	5
	507	**431**

Write-downs of trade receivables, which consist of expected credit losses and individual allowances, developed as follows:

Development of impairments

in € million	2022	2021
Impairments as of Dec 31 (previous year)	**11**	**12**
Currency exchange differences	0	0
Additions	4	1
Utilization	0	–1
Reversals	–1	–1
Impairments as of Dec 31	**14**	**11**

The following table provides information on the extent of credit risks in the trade receivables as of December 31, 2022, and December 31, 2021:

Receivables by maturity as of December 31, 2022

in € million	EMEA	Asia-Pacific	North and South America	FUCHS Group
Not yet due	216	117	67	400
Overdue:				
less than 30 days	49	9	17	75
30 to 90 days	18	2	7	27
91 to 180 days	4	1	3	8
181 to 360 days	4	0	1	5
more than 360 days	4	1	1	6
Total gross receivables	**295**	**130**	**96**	**521**
Minus expected credit losses (range in %)	0.25–3.00	0.50–2.00	0.50–3.00	
Minus expected credit losses	–2	–1	–1	–4
Minus individually assessed allowances	–6	–2	–2	–10
Trade receivables	**287**	**127**	**93**	**507**

Receivables by maturity as of December 31, 2021

in € million	EMEA	Asia-Pacific	North and South America	FUCHS Group
Not yet due	191	124	56	371
Overdue:				
less than 30 days	23	7	11	41
30 to 90 days	10	2	6	18
91 to 180 days	2	1	1	4
181 to 360 days	2	0	0	2
more than 360 days	3	2	1	6
Total gross receivables	**231**	**136**	**75**	**442**
Minus expected credit losses (range in %)	0.25–3.00	0.50–1.75	0.50–2.50	
Minus expected credit losses	–2	–1	0	–3
Minus individually assessed allowances	–5	–2	–1	–8
Trade receivables	**224**	**133**	**74**	**431**

Receivables can become impaired if customers do not meet their payment obligations. In the FUCHS Group, supplies are made primarily to commercial customers (B2B customers). In the context of the simplified approach for trade receivables, the lifetime credit losses are always used for impairment.

To calculate expected credit losses the largest part of the gross receivables which are not yet due, and gross receivables, which are up to 180 days past due, can be combined in a risk class with low credit risk. To calculate expected credit losses for this risk class, discount rates calculated as a percentage are used. They reflect the customer sectors and the economic environment of the respective geographic region on the basis of historical data and future expectations. Furthermore, if there is objective evidence for impairment, an individual valuation adjustment is undertaken.

Gross receivables which are more than 181 to 360 days past due and more than 360 days past due are combined into a second risk class with a higher credit and default risk. Individual value adjustments are made for this risk class if there are objective indications of impairment, e.g. for customers in financial difficulties. In addition, individually assessed allowances are made in line with how past due the receivables are.

21 Current tax receivables (income tax)

This item comprises tax refund claims which are mainly attributable to Chinese, German, Italian, and US (previous year additionally Swedish) income taxes.

22 Other receivables and other assets

Current other receivables and other assets

in € million	Dec 31, 2022	Dec 31, 2021
Other taxes	10	7
Fair value of derivative financial instruments	7	1
Receivables due from joint ventures and associates	3	1
Miscellaneous other assets	22	22
	42	**31**

Other taxes, amounting to €8 million (6), mainly relate to sales tax receivables.

Miscellaneous other assets of the Group include the current portion of customer loans in the amount of €2 million (2) in connection with delivery arrangements in France. The non-current portion of these loans is reported in other non-current financial assets. Miscellaneous other assets also include deferred income in the amount of €11 million (10). In addition, miscellaneous other assets include refund entitlements and other customer loans and receivables from other sales. Total impairments of €2 million (2) are taken into account here. For the breakdown into financial and non-financial assets, please refer to Note 33 Financial instruments. → 183 Financial instruments

Other non-current receivables and assets

Other non-current receivables and assets amount to €7 million (6). This represents essentially the assets of covered pension schemes amounting to €6 million (4).

23 Cash and cash equivalents

Cash and cash equivalents of €119 million (146) comprise bank deposits, cash in hand, checks and bills of exchange not yet presented, and securities of €0 million (8) with a maturity of less than three months. €2 million (3) of cash and cash equivalents relates to our subsidiary in Russia, which is subject to capital movement restrictions.

24 Assets held for sale

in € million	Dec 31, 2022	Dec 31, 2021
Assets held for sale	7	0
	7	0

The assets held for sale involve €5 million (0) of a built-up property at the Mannheim, Germany site and €2 million (0) of an unbuilt property of our Brazilian subsidiary, which is expected to be sold within one year. Recognition at the lower of carrying amount and fair value less costs to sell resulted in an impairment loss of €1 million, which is reported under other operating expenses.

25 Total equity

Solid capital resources are indispensable for the company's continued existence as a going concern. Gearing (the ratio of financial liabilities and pension provisions less cash and cash equivalents to shareholders' equity) and the equity ratio are important indicators of the capital structure.

Subscribed capital

The issued and fully paid capital of FUCHS PETROLUB SE remained unchanged in the reporting year.

The shares of FUCHS PETROLUB SE are bearer shares. Each ordinary share carries one vote at the Annual General Meeting. The preference shares carry no voting rights, except in cases prescribed by law. In accordance with the Articles of Association, each preference share receives a share in profits of €0.01 per share compared to an ordinary share.

Share buyback program

On June 21, 2022, with the approval of the Supervisory Board, the Executive Board of FUCHS PETROLUB SE adopted a share buyback program with regard to ordinary shares and preference shares. For this purpose, the company makes use of the authorization granted by the Annual General Meeting on May 5, 2020 to acquire own shares pursuant to Section 71 (1) no. 8 German Stock Corporation Act (AktG). Under this program, FUCHS PETROLUB SE intends to acquire up to 6,000,000 shares, including up to 3,000,000 ordinary shares and up to 3,000,000 preference shares of the company, from June 27, 2022 to March 29, 2024 at the latest, at a total purchase price of up to a maximum of EUR 200 million (excluding acquisition incidental costs). The company will retire the acquired own shares.

The share buyback and the planned cancellation of the acquired shares have the effect of reducing the number of ordinary and preference shares outstanding. In addition, FUCHS PETROLUB SE will improve its capital structure.

During the period from June 27, 2022 to December 31, 2022, the Company has repurchased a total of 2,311,541 shares of its own. 1,255,771 ordinary shares with a total value of €31.1 million (average price per share €24.80) and 1,055,770 preference shares with a total value of €30.8 million (average price per share €29.13) were acquired. The repurchases amount to 1.663 % of the company's share capital as of December 31, 2022. Own shares have not been withdrawn at the reporting date.

The total amount spent, including transaction costs, of €61.9 million has been deducted from total equity, and in accordance with the regulations of IAS 33.20, the shares acquired are no longer included in the calculation of earnings per share.

The number of outstanding shares is:

Number of outstanding shares

Number of shares	Dec 31, 2022	Dec 31, 2021
69,500,000 ordinary shares (at €1.00)	69,500,000	69,500,000
Ordinary share buybacks	–1,255,771	0
69,500,000 preference shares (at €1.00)	69,500,000	69,500,000
Preference share buybacks	–1,055,770	0
Total	**136,688,459**	**139,000,000**

Group reserves

This item consists of the capital reserves of FUCHS PETROLUB SE (agio), the share-based compensation settled with equity instruments, 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. The currency reserves include the differences arising from currency translation recognized directly in equity and equity adjustments from indexation for hyperinflation of the financial statements of foreign subsidiaries and of joint ventures and associates accounted for using the equity method.

Group profits

Group profits correspond to the Group's earnings after taxes and non-controlling interests.

Proposal for the appropriation of profits at FUCHS PETROLUB SE

The Executive Board proposes to use the retained earnings (HGB) of FUCHS PETROLUB SE from the past fiscal year 2022 in the amount of €148,035,000 to distribute a dividend of €1.06 per dividend-bearing ordinary share and €1.07 per dividend-bearing preference share and to transfer the amount attributable to non-dividend-bearing ordinary and preference shares to retained earnings. In 2022, dividends of €1.02 per ordinary share and €1.03 per preference share were distributed.

Non-controlling interests

This item contains the total equity and earnings of consolidated subsidiaries attributable to non-controlling interests. An amount of €3 million (3) relates to shareholders in Austria, Chile, France, Greece, and Vietnam.

26 Pension provisions

Pension provisions are recognized for obligations arising from entitlements to future benefits and from current benefits paid to former employees of the FUCHS Group and their surviving dependents. The occupational pension plans in place within the Group are financed by provisions and funds and consist of defined contribution and defined benefit plans.

The defined benefit obligation is reduced by the fair value of the plan assets. Changes resulting from the remeasurement of net debt are recognized outside profit or loss in the period in which they occur and are offset against Group reserves. These changes are presented in the Group's statement of changes in equity.
→ # 135 Statement of changes in equity

In Germany, measurement is based on the following assumptions:

Valuation assumptions Germany

in %	2022	2021
Discount rate	3.8	0.9
Salary trend	3.0	2.5
Pension trend	2.0	1.5

The obligations of companies outside Germany are determined according to the country-specific accounting regulations and parameters. The mean values are calculated on a weighted basis.

Valuation assumptions outside Germany

in %	2022	2021
Discount rate	from 3.6 to 7.5	from 0.4 to 7.5
Average discount rate	4.6	1.9
Salary trend	from 2.0 to 9.0	from 1.8 to 9.0
Average salary level trend	2.4	2.3
Pension trend	from 2.2 to 12.0	from 1.8 to 12.0
Average pension level trend	3.1	3.2

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

Funding status of the pension obligations

in € million	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Present value of benefit obligations financed by funds in Germany	56	80	86	82	73
Present value of benefit obligations financed by funds outside Germany	44	65	66	64	52
Present value of benefit obligations financed by provisions in Germany	1	1	1	1	1
Present value of benefit obligations financed by provisions outside Germany	4	8	9	7	6
Total defined benefit obligations	**105**	**154**	**162**	**154**	**132**
Fair value of plan assets in Germany	57	62	62	61	63
Fair value of plan assets outside Germany	48	69	58	58	45
Funding status	**0**	**23**	**42**	**35**	**24**
Similar obligations	1	1	1	1	1
Net obligation as of Dec 31	1	24	43	36	25
Disclosures in the balance sheet:					
Defined benefit assets	**6**	**4**	**0**	**0**	**0**
Pension provision	**7**	**28**	**43**	**36**	**25**

The key pension plan provisions are described below:

In Germany, some of the employees working for German Group companies are covered by defined benefit pension plans. The benefits are generally based on the term of employment and fixed amounts or the final salary of the beneficiary. The benefits comprise an old-age pension, disability pension and survivors' pension. German defined benefit pension plans have been discontinued since 1983.

In 2011, the German pension obligations financed by provisions were transferred almost entirely to the external pension provider ALLIANZ. In 2016, €4 million in other German pension obligations that were previously financed with provisions were transferred to the external pension provider ALLIANZ. Since then, they have been reported under pension obligations funded by pension plans. The remaining amount is funded by provisions. The transfer comprised a combined model, made up of transfers of vested benefits in the ALLIANZ pension fund and future benefits yet to be vested in the ALLIANZ relief fund. At December 31, 2022, there was an excess coverage of €4 million (0), but this is not recognized as an asset from overfunded pension plans as the company has no future economic benefit in the form of reductions in contributions or a refund.

In addition, employee-financed pension obligations from the deferred compensation program are also in place in Germany. As of December 31, 2022, pension obligations amounted to €7 million (7), which were offset against assets of €6 million (6) in the consolidated balance sheet. The €1 million (1) balance made up of obligations and assets is reported in similar obligations.

If occupational pension plans are in place at Group companies outside Germany, these are fund-financed provision systems with defined benefit commitments and, in some cases, defined contribution commitments. Meanwhile, contribution-based systems have been introduced for new pension commitments in the USA and the United Kingdom.

The foreign-funded pension obligations mainly concern our company in the UK, which account for the defined benefit assets amounting to €6 million (4).

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 specifics the goals and strategies of the fund, for example the investment policy, premium contributions or indexing. Employers and employees contribute to the fund.

The following table shows the development in the present value of benefits obligations:

Benefit obligations

in € million	2022	2021
Present value as of Jan 1	154	162
Currency effects	−3	4
Current service cost	2	3
Interest expense	2	1
Remeasurements		
Actuarial gains due to financial assumptions	−44	−8
Actuarial gains from demographic assumptions	0	−1
Actuarial losses (previous year gains) from adjustments based on experience	1	−1
Benefits paid	−7	−6
Past service cost	0	0
Present value as of Dec 31	**105**	**154**
Netting with plan assets	105	131
Funding status	**0**	**23**
Similar obligations	1	1
Thereof:		
Pension provisions as of Dec 31	**7**	**28**
Defined benefit assets	**6**	**4**

Sensitivity analyses

If all other assumptions remained constant, a change of 0.5 percentage points to the discount rate and a change of 0.25 percentage points to the wage/salary or pension developments would have had the following effects on the present value of benefit obligations as of December 31, 2022 (December 31, 2021):

Sensitivity analyses

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

As of December 31, 2022, the weighted average term of defined benefit obligations was 12 years (15) for plans in Germany and 14 years (18) for plans outside Germany.

Additional life expectancy of one year would lead to an increase in the present value of benefit obligations of €4 million (4); €3 million (2) thereof is attributable to plans in Germany and €1 million (2) to plans outside Germany.

Plan assets developed as follows:

Development of plan assets

in € million	2022	2021
Fair value as of Jan 1	131	120
Currency effects	–4	4
Interest income from plan assets	2	1
Current contributions	5	5
Benefits paid	–7	–5
Remeasurements		
Actuarial losses (previous year gains) from financial assumptions	–21	7
Actuarial losses from experience adjustments	–1	–1
Fair value as of Dec 31	**105**	**131**

Net pension provisions developed as follows:

Development of net pension provisions

in € million	2022	2021
Net pension provisions as of Jan 1	23	42
Currency effects	1	0
Current service cost	2	3
Interest expense	2	1
Interest income from plan assets	–2	–1
Current contributions	–5	–5
Remeasurements		
Actuarial gains from benefit obligations	–43	–10
Actuarial losses (previous year gains) from plan assets	22	–6
Benefits paid	0	–1
Past service cost	0	0
Net provisions as of Dec 31	**0**	**23**
Similar obligations	1	1
Pension provisions as of Dec 31	**7**	**28**
Defined benefit assets	**6**	**4**

The fair value of the plan assets is spread over the following asset classes:

German plan assets are financed only with insurance policies provided by ALLIANZ Lebensversicherung. The return on plan assets for the year 2022 was based on the discount rate of 0.9 % (0.4). The actual return on plan assets calculated was 3.41 % (3.54). 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 the United Kingdom comprise equity instruments, debt instruments and cash. The return on plan assets was based on an average rate of 1.95 % (1.36). The actual return on plan assets averaged –26.1 % (10.9).

Total current contributions of €2 million (2) are budgeted for 2023 in Germany and abroad. Statutory minimum funding requirements are taken into account in the United Kingdom.

Asset classes of the plan assets

	Dec 31, 2022			Dec 31, 2021		
in € million	Market price quotation in an active market	None Market price quotation in an active market	**Total**	Market price quotation in an active market	None Market price quotation in an active market	Total
Insurance policies	0	59	59	0	62	62
Equity instruments	36	0	36	53	0	53
Debt instruments	10	0	10	16	0	16
Cash and cash equivalents	0	0	0	0	0	0
Fair value of plan assets	**46**	**59**	**105**	**69**	**62**	**131**

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.

56% (48) of the plan assets are invested in insurance policies. There are no market price quotations for these in an active market. The asset-liability matching strategy for the pension obligations funded by pension plans is reviewed annually by the fund management.

Market prices are available for total equity and debt instruments. Around 34% (40) of plan assets are invested in equity instruments, while a further 10% (12) are invested in debt instruments and 0% (0) in cash and cash equivalents. The fund managers pursue risk reduction strategies through use of swaps and index-linked instruments. The mix of total equity and debt instruments takes into account the maturity profile of the pension obligations. A regular review of the asset-liability matching strategy can potentially also lead to a revision of the asset mix.

Pension expenses arising from the pension plans in place within the FUCHS Group amount to €20 million (20) and are made up of the following components:

Total pension expenses

in € million	2022	2021
Current service cost	2	3
Past service cost	0	0
Interest expense	2	1
Interest income from plan assets	–2	–1
Expenses for defined benefit pension plans	**2**	**3**
Expenses for defined contribution pension plans	18	17
Total pension expenses	**20**	**20**

The net interest expenses from defined pension obligations amounting to €0 million (0) are the balance resulting from interest expenses of €2 million (1) from the interest accrued on pension obligations less interest income of €2 million (1) from the return on plan assets.

Pension expenses and benefit payments also include the payments for the defined contribution pension plans. At €10 million (9), the share of pension contributions paid by the employer in Germany has been included in expenses for defined contribution pension plans.

27 Trade payables

Trade payables

in € million	Dec 31, 2022	Dec 31, 2021
Trade payables	231	227
	231	**227**

28 Other provisions

Current provisions

Current provisions mainly consist of the following:

Current provisions

in € million	Dec 31, 2022	Dec 31, 2021
Warranty	1	1
Costs for preparing the annual financial statements	1	1
Restructuring and redundancy payments	1	1
Transaction tax risks	4	4
Other obligations	8	9
	15	**16**

The current provisions are detailed below:

Development of current provisions

in € million	Dec 31, 2021	Reclassifications	Exchange rate differences	Utilization	Additions	Reversals	Dec 31, 2022
Warranty	1	0	0	0	0	0	1
Costs for preparing the annual financial statements	1	0	0	1	1	0	1
Restructuring and redundancy payments	1	0	0	1	1	0	1
Transaction tax risks	4	0	0	0	0	0	4
Other obligations	9	0	0	6	6	1	8
	16	**0**	**0**	**8**	**8**	**1**	**15**

The provisions for restructuring and redundancy payments particularly contain redundancy payments for employees leaving the company.

The Other obligations include outstanding invoices.

Due to the short-term nature of these provisions, no interest has been accrued.

Other non-current provisions

The provisions for environmental obligations focus on rehabilitation work at contaminated sites and cover costs associated with the elimination of soil contamination.

Other non-current provisions also include non-current provisions resulting from employee benefit obligations, such as anniversary bonuses.

Development of non-current provisions

in € million	Dec 31, 2021	Reclassifications	Exchange rate differences	Utilization	Additions	Reversals	Dec 31, 2022
Environmental obligations	5	0	0	0	0	1	4
Other non-current provisions	5	0	0	0	0	0	5
	10	**0**	**0**	**0**	**0**	**1**	**9**

Employees in Germany have the option to invest balances in lifetime working accounts. For the long-term accounts set up, the provisions measured at their settlement value of €14 million (12) are netted against the corresponding fair value of assets of €14 million (12) (acquisition costs of €14 million – previous year: €12 million). In the income statement, expenses and income of €2 million (1) each were offset against each other.

29 Current tax liabilities

This item includes total liabilities for income taxes of €18 million (24). This year-on-year decrease is mainly attributable to the decrease in tax provisions in China.

30 Financial liabilities

Non-current financial liabilities

Non-current financial liabilities consist of liabilities from leases with a remaining term of more than one year and interest-bearing liabilities to banks with a remaining term of more than one year.

Current financial liabilities

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

For further information, see Note 33 Financial Instruments. → 183 Financial instruments

31 Other liabilities

Other current liabilities

Other liabilities are attributable to:

Other current liabilities

in € million	Dec 31, 2022	Dec 31, 2021
Obligations for personnel expenses	62	55
VAT liabilities	19	17
Other tax liabilities	10	10
Social security	5	5
Fair value of derivative financial instruments	0	2
Liabilities to joint ventures and associates	4	0
Advance payments received	17	21
Customer discounts (credit notes and bonuses)	22	19
Supervisory Board compensation	1	1
Other liabilities	29	21
	169	**151**

The obligations for personnel expenses mainly relate to ex gratia payments, profit-sharing schemes, commission payments, bonuses, outstanding holiday and overtime, as well as premiums for the employers' liability insurance association.

Other tax liabilities include excise taxes, payroll taxes and withholding taxes.

Advance payments received from customers represent contractual liabilities that are expected to be recognized as sales revenues in 2023.

Other liabilities include financing liabilities of €5 million (6) related to delivery agreements in France that are reported in other assets. This item also includes commission obligations, customers with credit balances, and advance payments. For the breakdown into financial and non-financial liabilities, please refer to Note 33 Financial instruments. → 183 Financial instruments

Other non-current liabilities

These items essentially include liabilities to employees at a French subsidiary, which are based on a statutory employee profit-sharing scheme and are due no earlier than 12 months after the end of the financial year.

32 Contingent liabilities and other financial obligations

The item "Securing third-party liabilities" refers mainly to "garagiste" loans. Under this procedure, which is common in France, our subsidiary guarantees repayment of loans granted directly by the bank to our contracting partner. This guarantee is part of our supply and financing agreements with our partners. There are contingent liabilities of €6 million (3) from securing third-party liabilities. These are largely secured via credit insurance or collateral from our contracting partners, meaning that the remaining net risk for FUCHS is only €1 million (0). In addition, there are contingent liabilities of €2 million (2) from guarantees in favor of companies in which an equity interest is held.

Contractual obligations for the purchase of property, plant and equipment amounted to €27 million (18) as of December 31, 2022. These have increased by €9 million compared to the previous reporting date and are mainly accounted for by our companies in Germany, China and Vietnam.

33 Financial instruments

a) Carrying amounts and fair values of financial instruments

The fair value of a financial instrument is the price at which a party would be willing to assume the rights and/or obligations arising from this financial instrument from an independent third party. Due to varying factors, fair values can only be regarded as indicators for values actually realizable on the market.

The fair values of all financial instruments were determined based on the market data available at the end of the reporting period and on the methods and prerequisites specified below.

With the exception of investments in companies and derivative financial instruments, both of which are reported at fair value, as in the previous year all other financial assets are measured at amortized cost with the carrying amount of the financial instrument largely corresponding to the fair value.

As in the previous year, the cash and cash equivalents item is measured at amortized cost. It contains the carrying amounts of the securities due within three months.

The following table shows the carrying amounts and categories of financial instruments as of December 31, 2022:

Carrying amounts and categories of financial instruments (in € million)

Balance sheet items	Dec 31, 2022	Dec 31, 2021	Measurement categories
Investments in companies[1]	7	7	Fair value through other comprehensive income
Other loans[1]	1	1	Amortized cost
Other receivables and other assets[2]	6	6	Amortized cost
Trade receivables	507	431	Amortized cost
Derivative financial instruments	7	1	Fair value through the income statement
Cash and cash equivalents	119	146	Amortized cost
Total of financial assets	**647**	**592**	
Financial liabilities from leases[2]	22	22	Amortized cost
Financial liabilities to banks[2]	157	27	Amortized cost
Trade payables	231	227	Amortized cost
Derivative financial instruments[3]	0	2	Fair value through the income statement
Contingent consideration[3]	0	0	Fair value through the income statement
Other liabilities[3]	45	30	Amortized cost
Total of financial liabilities	**455**	**308**	

[1] Shown in other financial assets.
[2] Current and non-current.
[3] Included in Other liabilities (current and non-current).

b) Net profit or loss from financial instruments

The following table shows the net profit or loss arising from financial instruments in the income statement.

Net profit or loss from financial assets measured at cost include the balance of write-downs of receivables recognized and reversed, as well as the derecognition of irrecoverable receivables. These are reported in other operating expenses and income.

Net profit or loss from financial instruments

in € million	2022	2021
Financial assets and financial liabilities at fair value through profit and loss	0	1
Financial assets measured at cost	–3	0
Financial liabilities measured at cost	0	0

c) Total interest income and expense

Total interest income and expense for financial assets and financial liabilities which were not measured at fair value through profit and loss are as follows:

Total interest income and expenditure

in € million	2022	2021
Total interest income	1	0
Total interest expenses	–4	–5

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

d) Information on derivative financial instruments
The objective of using derivative financial instruments is to hedge interest rate and currency risks. Given the Group's low gross financial debt, the Group's strategy does not include fixed interest rate agreements or other methods of hedging interest rates. For this reason no derivatives were concluded to hedge interest rate risks, as in the previous year. The table below shows derivative financial instruments in place at the end of the reporting period for hedging currency risks and sorted by their time to maturity.

The nominal volume is the total of all buying and selling amounts of currency derivatives. The nominal amounts correspond to the volumes of the underlying hedged transactions.

Forward currency transactions employed by the FUCHS Group are exclusively used to hedge assets and liabilities. The change in the derivative's fair value is recognized in profit or loss. The same applies to the changes in the fair value of assets or liabilities hedged by this. Both changes equalize each other.

At the end of the reporting period, there were forward currency transactions solely for the purpose of securing existing hedged items (essentially receivables and liabilities from intercompany loans). The intercompany loans were eliminated in the consolidated financial statements through consolidation entries. Beside this, a small volume of forward currency transactions was also in place for the purpose of hedging firm commitments.

The following average forward rates were used to hedge currency risks from the above-mentioned intercompany loans for the forward currency transactions existing as of the balance sheet date.

Average forward rate

	2022
AUD/EUR	1.531
GBP/EUR	0.872
HRK/EUR	7.535
HUF/EUR	414.060
RON/EUR	5.108
SEK/EUR	10.728
USD/EUR	1.011
ZAR/EUR	17.884

The intercompany loans as underlying hedged transactions and the related forward currency transactions are short-term. The term is generally less than one year. If necessary, forward currency transactions are concluded again when the intercompany loans are extended.

Nominal values of derivate financial instruments for hedging currency risks

	Dec 31, 2022				Dec 31, 2021			
in € million	Up to 1 year	1–5 years	More than 5 years	**Total**	Up to 1 year	1–5 years	More than 5 years	Total
Forward currency transactions	175	0	0	175	174	0	0	174
Nominal volume of derivatives	**175**	**0**	**0**	**175**	**174**	**0**	**0**	**174**

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

Fair value as of Dec 31, 2022

in € million	Nominal value	Fair value (net)	Recognized in the income statement (net)	Recognized in shareholder's equity
Forward currency transactions	175	7	0	0
Total derivatives	**175**	**7**	**0**	**0**

Fair value as of Dec 31, 2021

in € million	Nominal value	Fair value (net)	Recognized in the income statement (net)	Recognized in shareholder's equity
Forward currency transactions	174	–1	0	0
Total derivatives	**174**	**–1**	**0**	**0**

Management of risks from financial instruments

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

Major financial risks are monitored and controlled by the central treasury department of FUCHS PETROLUB SE. There are detailed guidelines and requirements, approved by the company's Executive Board, specifying how financial risks are to be controlled. Financial and currency risks are reduced by entering into term- and currency-matched financing and by making use of derivatives. We employ these instruments for hedging purposes only. The fair value of the forward currency transactions is calculated on the basis of recognized valuation models and current market data. The models are assigned to Level 2 in the fair value hierarchy. This control is employed strictly according to binding internal guidelines that utilize a two-person principle that guarantees adequate functional separation between trading and processing. The fair value of a non-listed investment is determined using a discounted cash flow method. The valuation model is assigned to Level 3 in the fair value hierarchy. The fair value of contingent consideration was determined based on the anticipated earnings figures of an acquisition (earnings before taxes, interest, depreciation, and amortization) up to and including 2021. The valuation model is assigned to Level 3 in the fair value hierarchy. In 2021, the contingent consideration was settled in full early.

For further information, please refer to the notes on "Significant discretionary decisions, estimates and assumptions" and "Acquisitions."

→ 145 Significant discretionary decisions, estimates and assumptions

Credit risks

A credit risk arises if one party of a financial instrument causes a financial loss, thereby damaging the other party by not fulfilling an obligation. Credit risks may result from the investment of cash and cash equivalents and the granting of payment terms for goods and services as well as from other agreements to be fulfilled by the counterparty only at a later date.

Cash and cash equivalents

The Group usually limits its cash and cash equivalents to the extent required for its operating business. The Group's financial guidelines also require that bank balances be placed only at banks with an excellent credit standing.

Trade receivables

As a result of the business relations with its customers worldwide, the FUCHS Group has significant trade receivables at all times. The handling of the inherent credit risks is defined in a directive permitting procedures that may differ from one country to another. If the internal credit risk assessment, which is based on external credit information, reveals that a credit risk is too high, credit collateral must be provided, e.g. in the form of bank guarantees or documentary credits. Alternatively, credit insurance is also used. At the end of the reporting period, receivables totaling €8 million (6) were secured.

Bad debt allowances are recorded for the remaining credit risks as soon as they exceed certain limits. Please refer to Note 20 for further information.
→ 171 Trade receivables

Derivative financial instruments and other receivables and assets

When selecting banks with which derivative financial instruments are concluded, FUCHS ensures that the counterparty is sufficiently creditworthy. All derivative transactions are concluded only with banks that have a Moody's long-term rating in the investment sector. Through these processes, the risk of default by contracting parties (credit risk) is minimized.

The maximum credit risk of the items above is the carrying amount of the receivable or the financial asset, even if the asset relates to derivative financial instruments or cash and cash equivalents. The FUCHS Group is only exposed to limited credit risks thanks to a natural diversification and its credit risk management. No concentration risks can currently be ascertained.

Liquidity risks

A liquidity risk arises if a company cannot fully meet its financial obligations.

The funds of the FUCHS Group mainly come from its operating business. Occasionally, revolving funds are employed in the form of bank loans, for example, primarily to finance working capital and investment projects.

Besides the €153 million (23) in lines of credit already utilized, the Group also had access to other free lines of credit of €222 million (165). 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 interests from the recognized financial liabilities as of December 31, 2022, affect the Group's liquidity situation (non-discounted):

Maturities of contractual cash flows from financial liabilities as of December 31, 2022

in € million	Total	2023	≥ 2024
Financial liabilities from leases	22	7	15
Financial liabilities to banks	157	154	3
Derivative financial instruments	0	0	0
Trade payables	231	231	0
Contingent consideration	0	0	0
Other financial liabilities	45	45	0
Total	**455**	**437**	**18**

Maturities of contractual cash flows from financial liabilities as of December 31, 2021

in € million	Total	2022	≥ 2023
Financial liabilities from leases	22	8	14
Financial liabilities to banks	27	27	0
Derivative financial instruments	2	2	0
Trade payables	227	227	0
Contingent consideration	0	0	0
Other financial liabilities	30	30	0
Total	**308**	**294**	**14**

The FUCHS Group considers its liquidity situation to be stable and not subject to any significant liquidity risk. The Group has access to cash and cash equivalents of €119 million (146) and €222 million (165) in free lines of credit. In addition, the Group has current trade receivables of €507 million (431) from operating activities.

Market risks

As a result of its global business activities, the FUCHS Group faces market risks in the form of foreign exchange risks and interest rate risks. There are no stock market risks since the Group does not hold any freely tradable securities. The assets held by pension funds to meet pension obligations are explained in Note 26.

→ 175 Pension provisions

Exchange rate risks

In regard to exchange rate risks, we distinguish between transaction and translation risks.

The Group's transaction risks result in particular from purchases of operating companies in a currency that differs from the one in which sales revenues are generated. Some of the raw materials processed by FUCHS are traded in US dollars. At the same time, companies generate most of the sales revenues on the markets of their respective home country. Thus all companies located outside the US dollar zone are exposed to a US dollar transaction risk.

When exporting finished products, the currency used by the exporting company is at the same time its invoicing currency. For this reason, the importing Group companies or third-party customers are exposed to transaction risks.

Because of dividend and license income of FUCHS PETROLUB SE, which is almost always obtained in the currency of the paying company, the holding company is also exposed to a transaction risk. Particularly in relation to the US dollar, this risk counters the transaction risk of many operating companies, so that a natural hedge is in place which leads to the minimization of the transaction risks existing across the entire Group.

Exchange rate risks resulting from granting intra-Group foreign currency loans are generally hedged through the agreement of corresponding forward currency transactions.

Due to the structure of the lubricants business, which does not involve long run-up periods or a high level of orders on hand, FUCHS does not hedge currency positions in the context of its operating business on a long-term basis. For the operating companies, the exchange rate is rather one of several price-determining factors which is to be taken into account when calculating prices.

The FUCHS Group includes many Group companies not based in the euro area. As a result, translation risks arise due to fluctuating exchange rates when converting sales revenues and results for the Group's income statement. For FUCHS, significant translation risks exist due to its activities in North and South America as well as the Asia-Pacific region. These may have a considerable impact on the consolidated income statement.

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 total equity. Changes in this equity item are continuously monitored, but are normally not hedged against fluctuations in the exchange rate.

Interest rate risks

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

The financial liabilities break down by interest rate agreement as follows. No collateral was provided.

Financial liabilities by interest rate agreement

in € million	Effective interest rate	Fixed interest period	Carrying amount as of Dec 31, 2022	Carrying amount as of Dec 31, 2021
Brazilian real	Fixed interest rate	<1 year	6	7
Indonesian rupee	Fixed interest rate	<1 year	1	0
Polish zloty	Variable interest rate	<1 year	21	1
US dollar	Fixed interest rate	<1 year	17	11
South African rand	Variable interest rate	<1 year	2	2
Euro	Fixed interest rate	<1 year	101	6
Euro	Variable interest rate	<1 year	5	0
Vietnamese dong	Fixed interest rate	<1 year	1	0
Vietnamese dong	Fixed interest rate	>1 year	3	0
			157	**27**

Fixed-rate loans in euros amounted to €100 million at the reporting date, plus interest. Of this, €20 million have already been repaid in January 2023. €80 million were raised by October 2023 to fix the interest rate in a rising interest rate environment.

Summary of interest rate hedging periods

Interest rate hedging periods

in € million	2022	in %	2021	in %
Up to 1 year	154	98	27	100
1 to 5 years	1	1	0	0
More than 5 years	2	1	0	0
	157	**100**	**27**	**100**

Other price risks

The FUCHS Group is exposed to risks arising from changes in the prices of goods which the Group needs to manufacture its finished products. Purchases of these goods are not hedged by derivatives since the available instruments are not effective enough. Changes in commodity prices are usually passed on to the market, possibly with a certain delay. Hence, these price risks are limited.

Sensitivity analyses

Underlying certain assumptions, sensitivity analyses provide an approximation of risks arising when certain influencing factors change. In terms of the interest rate risk and the foreign exchange rate risk we anticipate the following changes:

- an increase of the market interest rates of all currencies by one percentage point (parallel shift of the yield curves),
- a concurrent devaluation of the euro relative to all foreign currencies by 10%.

When determining the **interest rate risk** at the end of the reporting period, only original financial instruments carrying variable interest are included. Original financial instruments with fixed interest measured at amortized cost do not entail interest rate risks in accordance with IFRS 7. There were no interest rate derivatives which could possibly have an effect on the financial result.

Thus, an increase by one percentage point of the market's interest rate level on financial liabilities with a variable interest rate as disclosed on December 31, 2022, would, as in the previous year, have had no reducing effect on the financial result assuming that the higher interest rate had remained during the entire year. It is assumed that the higher interest rate would have been applied for an entire year.

The **foreign currency risk** is determined based on all net foreign currency positions not hedged at the end of the reporting period. A simultaneous depreciation of the euro by 10% relative to all foreign currencies would have had a positive earnings effect of €6 million (5).

Further notes to the consolidated financial statements

34 Notes to the statement of cash flows

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

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

Cash flows from operating activities are calculated indirectly based on earnings after tax. With this method, the underlying changes in items in the balance sheet are adjusted for currency translation effects and changes in the basis of consolidation. As a result, these changes in the items of the balance sheet do not directly correspond to the amounts shown in the consolidated balance sheet.

The dividends received from companies consolidated at equity are recognized in cash flows from operating activities. The contribution of companies consolidated at equity is also recognized in EBIT in the income statement. This provides for better transparency of the financial position and results of operations.

The cash flows from/into investing and financing activities are determined on the basis of actual payments, adjusted for effects of currency translation and changes 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 on the basis of cash inflows from operating activities and cash outflows from investing activities.

Free cash flow before acquisitions is calculated with free cash flow adjusted for payments for acquisitions and proceeds from divestments.

Reconciliation statement in accordance with IAS 7

	Cash-effective		Non-cash changes			
in € million	Balance sheet disclosures as of Dec 31, 2021 (Dec 31, 2020)	In cash flow from financing activities	Acquisitions/changes in the scope of consolidation	Currency effects	Amendments due to IFRS 16	**Balance sheet disclosures as of Dec 31, 2022 (Dec 31, 2021)**
Financial liabilities	49 (30)	119 (5)	0 (0)	2 (2)	9 (12)	**179 (49)**

35 Notes on segment reporting

Within the scope of segment reporting, the operating segments are made up of the geographical regions reflecting the FUCHS Group's internal organization and reporting structure. In accordance with the requirements of IFRS 8 "Operating Segments," this structure is aligned to the Group's internal control system and reflects segment reporting in the Group's management bodies. The individual companies and sub-regions are allocated to the segments according to the regions in which they are located.

Segment information is based on the same recognition and measurement methods as the consolidated financial statements. Receivables and liabilities, income and expenses, and profits between the segments are eliminated in the consolidation process. The reconciliation of segment data to the total amounts for the Group is shown in the column entitled "Holding companies including consolidation." In addition to the depreciation, amortization and earnings of the holding companies, this also includes intersegment eliminations with regard to sales revenues. Intragroup sales revenues and transfers are transacted at prices and terms of independent business partners.

Segment earnings comprise all direct segment costs as well as indirect costs to a limited degree.

The sales revenues and non-current assets of Group companies break down as follows:

Sales revenues and non-current assets of Group companies

in € million	2022	2021
Sales revenues		
Companies in Germany	728	627
Companies in North America (mainly in the USA)	564	410
Companies in China	554	552
Other companies	1,566	1,282
Total	**3,412**	**2,871**
Non-current assets (intangible assets and property, plant and equipment)		
Goodwill		
Companies in Germany	48	48
Companies in North America (mainly in the USA)	171	164
Other companies	35	35
Total	**254**	**247**
Other intangible assets and property, plant and equipment		
Companies in Germany	274	289
Companies in North America (mainly in the USA)	175	173
Companies in China	99	87
Other companies	296	302
Total	**844**	**851**

The overall development of the segments in the Note shows the figures for the reporting year and the corresponding comparative figures for the previous year.
→ 137 Segments

The statement shows sales revenues and the respective segment earnings (EBIT) as key performance indicators for each geographic region.

The total of holding companies including consolidations is broken down as follows:

Holding companies including consolidations

in € million	2022	2021
Holding companies		
Sales revenues by customer location	0	0
Sales revenues by company location	0	0
Scheduled amortization and depreciation	3	2
EBIT before income from companies consolidated at equity	8	15
Segment earnings (EBIT)	8	15
Additions to property, plant and equipment and other intangible assets	5	9
Consolidations		
Sales revenues by customer location	0	0
Sales revenues by company location	– 206	– 165
Scheduled amortization and depreciation	0	0
EBIT before income from companies consolidated at equity	– 3	0
Segment earnings (EBIT)	– 3	0
Additions to property, plant and equipment and other intangible assets	0	0

The total of segment earnings is to be transferred to consolidated earnings after tax as follows:

Transfer total of segment earnings to consolidated earnings after tax

in € million	2022	2021
Total segment earnings (EBIT)	365	363
Financial result	–8	–5
Income taxes	–97	–104
Consolidated earnings after tax	**260**	**254**

Segment reporting also includes the additions from acquisitions as well as the number of employees (including trainees) of the segments at the end of the reporting period and the margins each earned relative to EBIT before income from companies consolidated at equity.

Sales revenues by product groups are disclosed in Note 1 to the income statement. → 155 Sales revenues

36 Relationships with related parties

The related parties of the FUCHS Group as defined by IAS 24 are:

- directly and indirectly held subsidiaries and FUCHS PETROLUB SE companies consolidated at equity,
- the Executive Board and Supervisory Board of FUCHS PETROLUB SE,
- RUDOLF FUCHS GMBH & CO KG, through which most of the Fuchs family's ordinary stock is held,
- its full partner FUCHS VERWALTUNGSGESELLSCHAFT MBH and its management,
- RUDOLF FUCHS KAPITALANLAGEGESELLSCHAFT MBH,
- and pension funds benefiting the Group's employees.

The controlling company is RUDOLF FUCHS GMBH & CO KG.

FUCHS PETROLUB SE provides services to the related companies RUDOLF FUCHS GMBH & CO KG, RUDOLF FUCHS KAPITALANLAGEGESELLSCHAFT MBH, and FUCHS VERWALTUNGSGESELLSCHAFT MBH for which it is compensated with a contribution to its administrative costs. The scope of these services is not material.

Furthermore, there are intercompany transactions (such as loans, provision of goods and services) between the holding company, FUCHS PETROLUB SE, and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated in the consolidated financial statements. The same applies to FUCHS PETROLUB SE's sureties for the liabilities of its subsidiaries included in the consolidated financial statements. License fees are charged to the subsidiaries according to their sales revenues for services provided by the holding company in the areas of research and development, product marketing, brand management, advertising, etc. Fees are also allocated for management and similar services. Services provided to related parties are charged on the same basis as those for independent business partners.

As of December 31, 2022, the FUCHS Group has receivables of €12 million (5) relating to supplies and services in addition to other receivables of €3 million (1) from companies consolidated at equity. Other current liabilities amount to €4 million (0). Furthermore, contingent liabilities from guarantees exist in the amount of €2 million (2).

The value of goods delivered in 2022 to companies consolidated at equity was €40 million (26), while other operating income was €1 million (1).

The compensation of the members of the Executive Board is made up of the following benefits:

Compensation of the Executive Board in accordance with IAS 24

in € thousand	2022	2021
Short-term benefits	6,117	6,310
Share-based remuneration	1,113	1,197
Post-employment benefits	1,228	1,257
Total compensation	**8,458**	**8,764**

The total remuneration of the Supervisory Board is €768 thousand (758) and consists of short-term benefits of €639 thousand (606) and share-based remuneration of €129 thousand (152).

The staff representatives of the Supervisory Board were granted €0.2 million (0.2) for their work as employees in addition to their Supervisory Board compensation.

No consultant contracts are in place with any members of the Executive Board or Supervisory Board.

For further information on the compensation of members of the Executive Board and Supervisory Board, please refer to Note 37 and to the compensation report published on our website.

→ **194** Information on the company’s executive bodies
→ www.fuchs.com/group/compensation-report

For more information on pension plans, please refer to Note 26.

→ **175** Pension provisions

A dependent company report has been prepared on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (Aktiengesetz – AktG) with the concluding declaration: “In the legal transactions listed in the report on relationships with affiliated companies and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. No measures subject to disclosure occurred on the instruction or in the interest of the controlling company or any affiliated company associated with it.” As the independent auditor of FUCHS PETROLUB SE, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited this dependent company report and issued an audit opinion.

37 Information on the company's executive bodies

Supervisory Board

Dr. Christoph Loos
Chairman of the Group Management of Hilti AG (until December 31, 2022)
Chairman of the Board of Directors of Hilti AG (since January 1, 2023)
First appointment: 2020
Appointed until: 2025

Chairman (since May 3, 2022)
Comparable supervisory committees:
Hilti AG (since January 1, 2023)

Dr. Kurt Bock
Chairman of the Supervisory Board of BASF SE
First appointment: 2019
Resignation of the mandate: May 3, 2022

Chairman (until May 3, 2022)
Supervisory Board mandates:
- BASF SE, Chairman
- Bayerische Motorenwerke AG

Dr. Susanne Fuchs
Entrepreneur
First appointment: 2017
Appointed until: 2025

Deputy Chairwoman

Jens Lehfeldt
Chairman of the Works Council of FUCHS LUBRICANTS GERMANY GMBH, located in Mannheim
Chairman of the General Works Council of FUCHS LUBRICANTS GERMANY GMBH
Chairman of the Group Works Council
Chairman of the SE Works Council
First appointment: 2019
Appointed until: 2025

Member
(Employee representative)
Group mandate:
- FUCHS LUBRICANTS GERMANY GMBH

Ingeborg Neumann
Managing Partner, Peppermint Holding GmbH
First appointment: 2015
Appointed until: 2025

Member
Supervisory Board mandates:
- SGL Carbon SE

Comparable supervisory committees:
- Berliner Wasserbetriebe AöR

Cornelia Stahlschmidt
Chairwoman of the Works Council and representative for disabled persons of FUCHS LUBRICANTS GERMANY GMBH, Sites in Kaiserslautern and Dohna
Deputy Chairwoman of the Group Works Council
Member of the SE Works Council
First appointment: 2020
Appointed until: 2025

Member
(Employee representative)

Dr. Markus Steilemann
Chairman of the Executive Board of COVESTRO AG
First appointment: 2022
Appointed until: 2025

Member (since May 3, 2022)

Executive Board

Stefan Fuchs
First appointment: 1999
(Chairman since 2004)
Appointed until: June 2026
26 years at FUCHS

Chairman of the Executive Board
Areas of responsibility:
Corporate Group Development, Human Resources, Corporate Marketing & Communications, Strategy

Supervisory Board mandates:
- TRUMPF GmbH + Co. KG

Isabelle Adelt
First appointment: 2022
Appointed until: October 2025

Member of the Executive Board; Chief Financial Officer (since November 1, 2022)
Areas of responsibility:
Finance, Controlling, Investor Relations, Compliance, Internal Audit, Digitalization (IT, ERP Systems, Big Data, etc.), Legal, Taxes

Group mandate:
- FUCHS LUBRICANTS GERMANY GMBH

Dr. Sebastian Heiner
First appointment: 2023
Appointed until: December 2025

Member of the Executive Board; Chief Technical Officer (since January 1, 2023)
Areas of responsibility:
EH&S, Purchasing, Research & Development, Sustainability, Product Management, Quality Management, Supply Chain, Technology

Dr. Lutz Lindemann
First appointment: 2009
Appointed until: December 2023
24 years at FUCHS

Member of the Executive Board; OEM and Mining Division, (in addition Chief Technical Officer until December 31, 2022)
Areas of responsibility:
Mining Division, OEM Division
(until December 31, 2022: Research & Development, Technology, Product Management, Supply Chain, Sustainability, EH&S)

Dr. Timo Reister
First appointment: 2016
Appointed until: December 2023
13 years at FUCHS

Member of the Executive Board
Areas of responsibility:
India, Southeast Asia, East Asia, Australasia, North and South America, Automotive Aftermarket Division

Dr. Ralph Rheinboldt
First appointment: 2009
Appointed until: December 2023
24 years at FUCHS

Member of the Executive Board
Areas of responsibility:
Europe, Middle East and Africa, Specialty Division, Industry Division

Group mandate:
- FUCHS LUBRICANTS GERMANY GMBH (Chairman)

Dagmar Steinert
First appointment: 2016
Resignation of the mandate:
November 30, 2022
10 years at FUCHS

Member of the Executive Board; Chief Financial Officer (until November 30, 2022)

Supervisory Board mandate:
- ZF Friedrichshafen AG

Compensation for members of the Executive Board

Compensation of the Executive Board

in € thousand	2022	2021
Compensation of the Executive Board	**7,230**	**7,507**
thereof fixed compensation	3,222	3,175
thereof variable compensation	4,008	4,332
Pension expenses for pension commitments to active members of the Executive Board	1,228	1,257
thereof expenses for defined benefit plans	752	817
thereof expenses for defined contribution plans	477	440
Pension obligations	11,096	18,399
Plan assets	10,770	9,820
Balance of pension obligations and plan assets	326	8,579
Former members of the Executive Board		
Total compensation of former board members	595	571
Pension obligations	8,502	11,823
Plan assets	8,896	9,120
Balance of pension obligations and plan assets	–394	2,703

The Executive Board's fixed compensation includes, in addition to the fixed compensation element, monetary benefits from private use of the company car and from accident insurance. The Executive Board's variable compensation consists of 45 % Short-Term Incentive (STI) and 55 % Long-Term Incentive (LTI). Performance-based compensation is calculated on the same basis for the STI and LTI using the following formula: FVA × performance factor. The Chairman of the Executive Board receives 0.64 % of the value calculated and other members of the Executive Board each receive 0.32 %. Performance-based compensation is paid in March after the Supervisory Board meeting to approve the previous financial year's annual financial statements.

Members of the Executive Board must invest over half of the LTI as part of the performance-related compensation in FUCHS PETROLUB SE preference shares within two weeks of payment. This ensures that variable compensation is predominantly share-based, taking into account the respective tax burden. The preference shares acquired are subject to a four-year lock-up period. The vesting period begins when they are posted to the individual securities accounts and must be observed in full even if the Executive Board contract is terminated prematurely. During this period, the shares held by members of the Executive Board will be exposed to all the risks and rewards of capital market performance. The preference shares are acquired on a uniform basis for all members of the Executive Board in order to ensure standard acquisition terms.

The portion of variable compensation of €1,113 thousand (1,197) invested in preference shares is classified as share-based compensation with equity instruments in accordance with IFRS 2. This portion of the variable compensation recognized as an expense was shown in total equity at the end of the reporting period. The remaining share of variable compensation was reported as other liabilities at the end of the reporting period.

As part of variable compensation 2021 (LTI), 35,093 preference shares were acquired by the Executive Board at the purchase price of €33.95 per share on March 21, 2022. This amounted to the equivalent of €1,197 thousand, taking account of incidental acquisition costs. The portion of the variable compensation of €1,113 thousand for the financial year 2022 will be invested in preference shares of FUCHS PETROLUB SE in the financial year 2023 within two weeks of payment. The variable remuneration associated with the share-based remuneration is the fair value at the date of award. As of December 31, 2022, a number of 33,986 preference shares should have been acquired at a market price of €32.74 per preference share.

As of December 31, 2022, a total of 86,263 shares are subject to a freeze period.

Compensation for members of the Supervisory Board
Total compensation of Supervisory Board was €768 thousand (758).

The compensation of the Supervisory Board is definitively pursuant to Section 16 of the Articles of Association of FUCHS PETROLUB SE. Since financial year 2021, members of the Supervisory Board receive a pure fixed compensation, of which at least 20 % must be invested in preference shares of the company. It is paid after the meeting of the Supervisory Board at which it is decided to approve the annual financial statements for the immediately preceding financial year. The obligation to purchase preference shares with a vesting period of four years takes effect thereafter. The freezing period also applies even if the Supervisory Board contract is terminated.

Until the financial year 2019 (share acquisition 2020), the vesting period was five years, with this freezing period expiring upon leaving the Supervisory Board.

The portion of the compensation of €129 thousand (152) invested in preference shares is classified as share-based compensation with equity instruments in accordance with IFRS 2. This portion of compensation recognized as an expense was shown in total equity at the end of the reporting period and the remainder of the compensation as other liabilities.

The portion of the remuneration of €129 thousand (152) for the share-based remuneration, which corresponds to the fair value at the grant date, must be invested in preference shares. On March 21, 2022, 4,435 preference shares were acquired by the Supervisory Board at a purchase price of €34.21 per share as part of the variable compensation for the 2021 financial year under the preference share program described above. This amounted to the equivalent of €152 thousand, taking account of incidental acquisition costs. The portion of the compensation of €129 thousand for the financial year 2022 that is invested in preference shares will not be paid in the financial year 2023 until after the Supervisory Board meeting at which it is decided to approve the annual financial statements for the immediately preceding financial year. As at December 31, 2022, a number of 3,927 preference shares should have been purchased at a market price of €32.74 per preference share. As at December 31, 2022, a total of 8,572 shares are subject to a freeze period.

For further information on the compensation of members of the Executive Board and Supervisory Board, please refer to the compensation report published on our website.
→ www.fuchs.com/group/compensation-report

38 Declaration on the German Corporate Governance Code as per Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board at FUCHS PETROLUB SE submitted the Declaration of Compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG). A copy can be found on page 114 and is available on the company's website at
→ www.fuchs.com/group/declaration-of-compliance.
→ 114 Declaration of Corporate Governance

39 Fees and services of the auditor in accordance with Section 315e in conjunction with 314 (1) No. 9 of the German Commercial Code (HGB)

FUCHS Group companies have used the following services from the PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and its legally independent network companies worldwide:

Fees and services of the auditor

in € million	2022	2021
Audit fees	2.0	1.8
Other certification services	0.1	0.1
Tax fees	0.0	0.0
All other fees	0.0	0.1
Total	**2.1**	**2.0**

Of this, fees of €0.5 million (0.5) for audit services were recognized as expenses for audits of financial statements in Germany for PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. These services related to the audit of the consolidated financial statements of FUCHS PETROLUB SE and the statutory financial statements of FUCHS PETROLUB SE and the subsidiaries included in the consolidated financial statements.

In addition, other auditing services amounting to €0.1 million (0.1) were provided in Germany to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for the audit of non-financial reporting, including sustainability-related disclosures, and the substantive audit of the compensation report, as well as other services amounting to €0.0 million (0.1) for support in connection with reporting obligations such as the audit of selected parts of the risk management system (previous year: non-financial reporting and for other project-related consulting services). No (previous year: none) tax consulting services were provided.

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

As at December 31, 2022

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues 2022[2]	Consolidation[3]
I. AFFILIATED COMPANIES				
GERMANY				
BREMER & LEGUIL GMBH, Duisburg[4]	100	0	41	F
FUCHS FINANZSERVICE GMBH, Mannheim[4]	100	91	0	F
FUCHS GMBH, Mannheim	100	0	0	F
FUCHS LUBRICANTS GERMANY GMBH (formerly FUCHS SCHMIERSTOFFE GMBH), Mannheim[4]	100	102	1,057	F
EMEA (EXCLUDING GERMANY)				
FUCHS LUBRICANTS BENELUX N.V./S.A., Huizingen/Belgium	100	16	44	F
FUCHS LUBRICANTS DENMARK ApS, Hellerup/Denmark	100	4	13	F
FUCHS LUBRICANTS ESTONIA OÜ, Tallinn/Estonia	100	0	2	F
FUCHS OIL FINLAND OY, Vaasa/Finland	100	2	10	F
FUCHS LUBRIFIANT FRANCE S.A., Nanterre/France	99.7	20	145	F
FUCHS HELLAS S.A., Athens/Greece	99.9	2	6	F
CENTURY OILS INTERNATIONAL LTD., Stoke-on-Trent/Great Britain	100	1[6]	0[6]	F
FUCHS LUBRICANTS (UK) PLC., Stoke-on-Trent/Great Britain (subgroup)	100	63	200	F
FUCHS LUBRITECH INTERNATIONAL (UK) LTD., Stoke-on-Trent/Great Britain	100	2	0	F
FUCHS LUBRITECH (UK) LTD., Stoke-on-Trent/Great Britain	100	0	0	F
FUCHS LUBRIFICANTI S.P.A., Buttigliera d'Asti/Italy	100	22	102	F
FUCHS MAZIVA D.O.O., Samobor/Croatia	100	2	9	F
FUCHS LUBRICANTS LATVIA SIA, Riga/Latvia	100	0	2	F
FUCHS LUBRICANTS LITHUANIA UAB, Vilnius/Lithuania	100	1	3	F
FUCHS MAK DOOEL, Skopje/Macedonia	100	1	1	F

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues 2022[2]	Consolidation[3]
FUCHS LUBRICANTS NORWAY AS, Oslo/Norway	100	8	27	F
FUCHS AUSTRIA SCHMIERSTOFFE GMBH, Thalgau/Austria	70	4	29	F
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gleiwitz/Poland	100	44	149	F
FUCHS LUBRIFICANTES UNIPESSOAL LDA., Moreira-Maia/Portugal	100	3	14	F
FUCHS LUBRICANTS SRL, Bucharest/Romania	100	2	10	F
OOO FUCHS OIL, Moscow/Russia	100	32	79	F
FUCHS LUBRICANTS SWEDEN AB, Stockholm/Sweden	100	12	115	F
Gleitmo Technik AB, Kungsbacka/Sweden	100	4	6	F
FUCHS OIL CORPORATION (SK) SPOL. S R.O., Brezno/Slovak Republic	100	3	10	F
FUCHS MAZIVA LSL D.O.O., Krško/Slovenia	100	1	4	F
FUCHS LUBRICANTES S.A.U., Castellbisbal/Spain	100	26	74	F
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Říčany/Czech Republic	100	4	17	F
TOV FUCHS MASTYLA UKRAINA, Lviv/Ukraine	100	5	22	F
FUCHS OIL HUNGÁRIA KFT, Budaörs/Hungary	100	2	10	F
FUCHS LUBRICANTS SOUTH AFRICA (PTY) LTD., Johannesburg/South Africa	74.9	12	122	F
FUCHS SOUTHERN AFRICA (PTY.) LTD., Johannesburg/South Africa	100	38	40	F
ASIA-PACIFIC				
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia	100	61	214	F
NULON PRODUCTS AUSTRALIA PTY. LTD., Sydney/Australia	100	8	24	F
FUCHS LUBRICANTS (CHINA) LTD., Shanghai/People's Republic of China	100	71	282	F
FUCHS LUBRICANTS REGIONAL HEADQUARTER (EAST ASIA) LTD., Shanghai/People's Republic of China	100	30	52	F
FUCHS LUBRICANTS (SUZHOU) LTD., Wujiang/People's Republic of China	100	47	234	F
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou City/People's Republic of China	100	81	270	F
FUCHS LUBRICANTS (INDIA) PVT. LTD., Mumbai/India	100	16	45	F
PT FUCHS INDONESIA, Jakarta/Indonesia	100	4	10	F
PT FUCHS LUBRICANTS INDONESIA, Jakarta/Indonesia	100	0	8	F
FUCHS JAPAN LTD., Tokyo/Japan	100	5	15	F

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues 2022[2]	Consolidation[3]
FUCHS LUBRICANTS (KOREA) LTD., Seoul/South Korea	100	7	30	F
FUCHS PETROLUBE (MALAYSIA) SDN. BHD., Shah Alam/Malaysia	100	2	7	F
FUCHS LUBRICANTS (NEW ZEALAND) LTD., Auckland/New Zealand	100	2	18	F
NULON NZ LTD., Auckland/New Zealand	100	0	1	F
FUCHS LUBRICANTS PTE. LTD., Singapore/Singapore	100	3	14	F
FUCHS LUBRICANTS TAIWAN CORP., Taipei/Taiwan	100	1	6	F
FUCHS THAI HOLDING LTD., Bangkok/Thailand	100	0	0	F
FUCHS LUBRICANTS (THAILAND) CO., LTD., Bangkok/Thailand	100	3	11	F
FUCHS LUBRICANTS VIETNAM COMPANY LTD., Ho Chi Minh City/Vietnam	70	5	2	F
NORTH AND SOUTH AMERICA				
FUCHS ARGENTINA S.A., El Talar de Pacheco/Argentina	100	4	15	F
FUCHS LUBRIFICANTES DO BRASIL LTDA., City of Barueri, State of São Paulo/Brazil	100	15	61	F
FUCHS LUBRICANTS SpA, Quilicura, Santiago de Chile/Chile	65	1	2	F
FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	100	14[5]	38[5]	F
LUBRICANTES FUCHS DE MEXICO S.A. DE C.V., Querétaro/Mexico	100	33[5]	99[5]	F
FUCHS CORPORATION, Dover, Delaware/USA (subgroup)	100	379	576	F
FUCHS LUBRICANTS CO., Harvey, Illinois/USA	100	266[5]	380[5]	F
Nye Lubricants Inc., Fairhaven, Massachusetts/USA	100	112[5]	80[5]	F
ULTRACHEM INC., New Castle, Delaware/USA	100	22[5]	25[5]	F

Name and registered office of the company (in € million)	Share in equity (in %)[1]	Total equity[2]	Sales revenues 2022[2]	Consolidation[3]
II. JOINT VENTURES				
E-LYTE INNOVATIONS GMBH, Münster/Germany	28.2	7	1	E
FUCHS EGYPT LLC, Cairo/Egypt	50	0	0	E
FUCHS EGYPT LUBRICANTS LLC, Cairo/Egypt	50	6	10	E
FUCHS LUBRICANTS IRANIAN COMPANY (PJS), Tehran/Iran	50	7	12	E
FUCHS MOZAMBIQUE LDA, Tete/Mozambique	50	1	7	E
FUCHS OIL MIDDLE EAST LTD., British Virgin Islands, Sharjah branch/United Arab Emirates	50	4	25	E
FUCHS ZAMBIA LIMITED, Lusaka/Zambia	50	1	10	E
FUCHS ZIMBABWE (PVT) LTD, Harare/Zimbabwe	50	2	11	E
OPET FUCHS MADENI YAG SANAYI VE TICARET A.S., Cigli-Izmir/Türkiye	50	23	96	E
III. ASSOCIATES				
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia	32	43	155	E
FUCHS LUBRICANTS TANZANIA LIMITED, Dar Es Salaam/Tanzania	48	1	5	E
IV. OTHER COMPANIES IN WHICH THE GROUP HOLDS AN INTEREST (PERCENTAGE OF SHARES HELD >5%)				
GVÖ Gebinde-Verwertungsgesellschaft der Mineralölwirtschaft mbH, Hamburg/Germany	11.4			
NIPPECO LTD., Tokyo/Japan	11			

[1] Share of FUCHS PETROLUB SE, including indirect holdings.

[2] Total equity and sales revenues are reported at 100%. The figures at German companies are based on the German annual financial statements (HB I), while the figures at companies domiciled outside Germany, are based on the IFRS financial statements (HB II) prior to consolidation. OPET FUCHS (Türkiye) and FUCHS ZIMBABWE (Zimbabwe) are values before adjustment according to IAS 29 Hyperinflation. The conversion of total equity into the Group's currency (euro) was performed using the closing rate as of December 31, 2022, while the accumulated average annual exchange rate of 2022 was used when converting sales revenues.

[3] Inclusion in the consolidated financial statements: F = Full consolidation as per IFRS 10, E = Equity method as per IAS 28.

[4] Company with profit-loss transfer agreement.

[5] Included in the subgroup financial statements (HB II) FUCHS CORPORATION, USA.

[6] Included in the subgroup financial statements (HB II) FUCHS LUBRICANTS (UK) PLC., UK.

41 Events after the reporting period

No significant events occurred after the reporting period.

Mannheim, March 6, 2023

FUCHS PETROLUB SE
Executive Board

S. Fuchs I. Adelt Dr. S. Heiner Dr. L. Lindemann Dr. R. Rheinboldt Dr. T. Reister

3.3 Declaration and Assurance of the Executive Board pursuant to Section 297 (2), Section 315 (1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operation of the Group. The management report, which is combined with the management report of FUCHS PETROLUB SE, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, March 6, 2023

FUCHS PETROLUB SE
Executive Board

S. Fuchs I. Adelt Dr. S. Heiner Dr. L. Lindemann Dr. R. Rheinboldt Dr. T. Reister

3.4 Independent auditor's report

To FUCHS PETROLUB SE, Mannheim

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of FUCHS PETROLUB SE, Mannheim, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of FUCHS PETROLUB SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Recoverability of Goodwill

Our presentation of this key audit matter has been structured as follows:

1 Matter and issue
2 Audit approach and findings
3 Reference to further information

Hereinafter we present the key audit matter:

1 Recoverability of Goodwill

1 In the Company's consolidated financial statements goodwill amounting in total to €254 Mio (10.1 % of total assets or 13.8 % of equity) is reported under the "Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating unit to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate and growth rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on impairment testing and on goodwill are contained in section "Accounting policies" in note 14 "Goodwill and other intangible assets" of the notes to the consolidated financial statements.

Other Information
The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the non-financial statement to comply with § 289b Abs. 1 HGB and with § 315b Abs. 1 HGB included in section "2.11 Nichtfinanzielle Konzernerklärung" of the group management report
- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "2.12 Corporate Governance" of the group management report

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file **[FPSE_KA_LB_2022-12-31.zip]** and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion
We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 3 May 2022. We were engaged by the supervisory board on 24 October 2022. We have been the group auditor of the FUCHS PETROLUB SE, Mannheim, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dirk W. Fischer.

Mannheim, March 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Fischer	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer

3.5 Proposal for the appropriation of profits

The Executive Board proposes that the unappropriated profits of FUCHS PETROLUB SE from the past fiscal year 2022 in the amount of €148,035,000 will be appropriated for the distribution of a dividend of €1.06 per ordinary share entitled to dividends and €1.07 per preference share entitled to dividends and to transfer the amount attributable to non-dividend-bearing ordinary and preference shares to retained earnings.

Ten-year overview

FUCHS Group

Amounts in € million	**2022**	2021	2020	2019	2018	2017	2016	2015	2014	2013
Results of operations										
Sales revenues (by company location)	3,412	2,871	2,378	2,572	2,567	2,473	2,267	2,079	1,866	1,832
Germany	728	627	540	611	637	633	631	569	517	533
International	2,684	2,244	1,838	1,961	1,930	1,840	1,636	1,510	1,349	1,299
Cost of sales	2,358	1,906	1,524	1,682	1,668	1,591	1,416	1,288	1,173	1,142
Gross profit	1,054	965	854	890	899	882	851	791	693	690
in % of sales revenues	30.9	33.6	35.9	34.6	35.0	35.7	37.5	38.1	37.2	37.7
Earnings before interest and tax (EBIT)	365	363	313	321	383	373	371	342	313	312
in % of sales revenues	10.7	12.6	13.2	12.5	14.9	15.1	16.4	16.5	16.8	17.0
Earnings after tax	260	254	221	228	288	269	260	236	220	219
in % of sales revenues	7.6	8.8	9.3	8.9	11.2	10.9	11.5	11.4	11.8	11.9
Assets / equity and liabilities										
Balance sheet total	2,523	2,311	2,120	2,023	1,891	1,751	1,676	1,490	1,276	1,162
Shareholders' equity	1,841	1,756	1,580	1,561	1,456	1,307	1,205	1,070	916	854
Equity ratio (in %)	73.0	76.0	74.5	77.2	77.0	74.6	71.9	71.8	71.7	73.5
Cash and cash equivalents	119	146	209	219	195	161	159	119	202	175
Financial liabilities [1]	179	49	30	26	4	1	13	18	16	8
Net liquidity	–60	97	179	193	191	160	146	101	186	167
Pension provisions	7	28	43	36	25	26	35	33	36	16
FUCHS Value Added (FVA)	**172**	**205**	**165**	**174**	**251**	**250**	**257**	**246**	**230**	**222**
Cash Flow										
Cash inflow from operating activities	128	169	360	329	267	242	300	281	255	221
Cash outflow from investing activities	–69	–108	–236	–167	–108	–102	–136	–219	–67	–71
thereof acquisitions [2]	–2	–29	–114	–13	12	–2	–41	–170	–22	0
Free cash flow	59	61	124	162	159	140	164	62	188	150
Free cash flow before acquisitions [2]	61	90	238	175	147	142	205	232	210	150
Cash Conversion Rate Factor [3]	0.23	0.35	1.08	0.77	0.51	0.53	0.79	0.98	0.95	0.68

FUCHS Group

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Investments / research and development										
Investments	79	80	122	154	121	105	93	50	52	70
Additions to non-current assets [4]	91	92	127	185	121	105	93	50	52	70
Depreciation (scheduled) [5]	93	86	80	73	58	53	47	39	30	28
Research & development expenses	69	59	54	55	52	47	44	39	33	31
Employees [6]										
Number of employees (average)	6,067	5,858	5,786	5,573	5,339	5,147	4,990	4,368	4,052	3,846
Germany	1,715	1,687	1,679	1,657	1,572	1,521	1,488	1,314	1,213	1,180
in %	28.3	28.8	29.0	29.7	29.4	29.6	29.8	30.1	29.9	30.7
International	4,352	4,171	4,107	3,916	3,767	3,626	3,502	3,054	2,839	2,666

FUCHS Shares

Amounts in €		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Earnings per share [7]	Ordinary	1.87	1.82	1.58	1.63	2.06	1.93	1.86	1.69	1.57	1.53
	Preference	1.88	1.83	1.59	1.64	2.07	1.94	1.87	1.70	1.58	1.54
Dividend per share [7, 8]	Ordinary	1.06	1.02	0.98	0.96	0.94	0.90	0.88	0.81	0.76	0.69
	Preference	1.07	1.03	0.99	0.97	0.95	0.91	0.89	0.82	0.77	0.70
Dividend distribution (in € million) [8]		148	142	137	134	131	126	123	113	106	97
Share buyback (in € million)		62	0	0	0	0	0	0	0	76	22
Stock exchange prices on December 31 [7]	Ordinary	27.80	30.88	37.85	39.95	35.00	40.37	36.95	37.69	31.74	30.90
	Preference	32.74	39.92	46.44	44.16	35.98	44.25	39.88	43.50	33.30	35.52

[1] From 2019 on incl. financial liabilities from leasing.
[2] Including divestments.
[3] Free cash flow before acquisitions divided by earnings after tax.
[4] From 2019, investments plus additions of rights of use from rental and lease agreements – excluding financial instruments, deferred tax assets and assets from defined benefit pension plans.
[5] From 2019, scheduled depreciation including amortization of rights of use.
[6] From 2016 on including trainees.
[7] Prior-year figures adjusted for capital measures (bonus shares, share splits, increases in capital stock) to provide better comparability.
[8] For 2022, proposal for the appropriation of profits - unappropriated profits designated for distribution less the amount attributable to non-dividend-bearing ordinary and preference shares, which will be transferred to retained earnings.

Financial calendar

Dates 2023

March 8	Annual Report 2022
April 28	Quarterly Statement as at March 31, 2023
May 3	Annual General Meeting
July 28	Half-year Financial Report as at June 30, 2023
October 27	Quarterly Statement as at September 30, 2023

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

Annual General Meeting 2023

The Annual General Meeting takes place on Wednesday, May 3, 2023, at 10:00 am in the Mozart Room of the Rosengarten Congress Center, Rosengartenplatz 2, Mannheim. Shareholders will also receive an invitation and the agenda via their depository banks.

Disclaimer

This annual report contains statements about future developments that are based on assumptions and estimates by the management of FUCHS PETROLUB SE. Statements about future developments are all statements that do not refer to historical facts and events and contain such forward-looking formulations as “believes,” “estimates,” “assumes,” “expects,” “anticipates,” “forecasts,” “intends,” “could,” “will,” “should,” or similar formulations. Even if the management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results may differ significantly from these assumptions and estimates due to a variety of factors. These factors can, for example, include changes in the overall economic climate, changes in the political environment, changes in procurement prices, changes to exchange rates and interest rates, and changes within the lubricants industry. FUCHS PETROLUB SE provides no guarantee that future developments and the results actually achieved in the future will match the assumptions and estimates set out in this annual report and assumes no liability for such. We do not assume any obligation to update the future-oriented statements made in this annual report.

Note on rounding

Due to rounding, numbers presented in this annual report may not add up exactly to totals provided, and percentages stated may not precisely reflect the absolute figures to which they refer.

Note regarding the annual report

In case of deviations between this English translation and the original German version of this annual report, the original German version takes precedence. In line with our sustainability activities we have resigned from printing the annual report and have published it exclusively in digital form since 2020.

Imprint

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