

Interim report

on the first nine months of 2003



- Continued success despite difficult environment
- Earnings significantly higher than last year's excellent result
- Reduction in financial liabilities due to high cash flow
- FUCHS shares perform far better than stock-exchange index

FUCHS PETROLUB AG



The first nine months of 2003 at a glance

FUCHS PETROLUB Group

[in € million]	Jan.–Sep. 2003	Jan.–Sep. 2002
Sales revenues¹⁾	785.5	811.2
Europe	511.1	532.6
North and South America	145.3	167.6
Asia-Pacific, Africa	129.1	111.0
Earnings before interest and taxes (EBIT)	58.3	54.7
Net profit	22.7	19.0
Gross cash flow	54.1	51.3
Capital expenditure	12.3	20.2
Employees	4,166	4,109
Germany	1,114	1,157
International	3,052	2,952

¹⁾ By companies' headquarters

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Chairman's letter



Dear shareholders and friends,

The first nine months of this year were affected by a challenging business environment and difficult market conditions: demand for lubricants declined, on the raw-materials side, base-oil prices were at a ten-year peak, and the euro was on average 17.6 % higher against the dollar than its average for 2002.

Nevertheless, we succeeded in generating internal growth and increased our earnings and cash flow. Our profit figures are thus significantly higher than the excellent results for the same period of last year.

Sales revenues from January until September 2003 amounted to €785 million (Jan.–Sep. 2002: €811 million).

Net profit for the first nine months after goodwill amortization and taxes was €22.7 million, 19.5 % higher than in the prior year (€19.0 million). This is equivalent to earnings per split share of €3.04 (€2.54).

Net profit before goodwill amortization but after taxes amounted to €33.9 million (€30.4 million) or €4.61 per share (€4.14).

Our share price continued to rise. Ordinary shares gained 97 % during the period under review, while preference shares climbed by 59 %.

A handwritten signature in blue ink that reads "Manfred Fuchs". The signature is written in a cursive style with a large initial 'M' and a long, sweeping underline.

Dr. Manfred Fuchs
Chairman of the Executive Board

The lubricant market

After a worldwide decline of 2.3 % in the first half of the year, the global lubricant market (excluding international bunkering) recovered somewhat in the third quarter of 2003, primarily due to the economic upswing in the United States and continuing growth in the developing countries and emerging markets of Asia. From today's perspective, we anticipate total market shrinkage of about 1.0 % for the full year.

In the United States, the world's largest national market, lubricant consumption rose by a total of 5.0 % in July and August after a substantial decline of about 10.0 % in the first half of 2003. By the end of August, total sales in the US therefore fell by an accumulated 6.8 %.

In Germany, the largest market in Western Europe, lubricant volumes decreased by 1.7 % in the first eight months of this year, while steeper declines of 4.0 % and 4.9 % respectively were reported in France and the United Kingdom. In Italy, sales volumes until the end of September 2003 decreased by a moderate 0.5 %.

In Japan, the second-largest lubricant market in Asia, demand increased by 3.6 % in the third quarter, after stagnating until the middle of the year, so that by September 2003 an accumulated increase of 1.1 % was reported.

Total worldwide demand for lubricants in the first nine months of 2003 decreased by about 1.2 %.

Sales revenues

As a result of internal and external growth, the Group succeeded in raising its sales revenues for the first nine months of this year by €28.5 million, or 3.5 %. However, as a result of the substantial appreciation of the euro, there was a negative currency-translation effect of €54.2 million, or – 6.7 %. As a result, sales revenues decreased by €25.8 million, or 3.2 %, to €785.5 million (Jan.–Sep. 2002: €811.2 million).

Summary of factors affecting sales revenues:

	€ million	%
Internal growth	+22.3	+2.7
External growth	+6.2	+0.8
Currency-translation effects	–54.2	–6.7
Net effect on sales revenues	–25.8	–3.2

In regional terms, sales revenues developed as follows:

Revenues in Europe decreased by €21.5 million, or 4 %. Some of our companies succeeded in raising their revenues. However, the discontinuation of low-profit activities, the reduction of toll blending, and currency-translation effects (–2.2 %) led to an overall decrease in revenues.

Adjusted to exclude currency-translation effects, the region of North and South America expanded by 5 %. But expressed in euros, revenues decreased by 13.3 % to €145.3 million (€167.6 million).

The Asia-Pacific and Africa region more than compensated for substantial exchange-rate effects (–10.5 %) with internal (+19.0 %) and external growth (+7.8 %). As a result, this region's share of Group revenues rose from 13.7 % to 16.4 %.

Development of revenues by region

[in € million]	Jan.–Sep. 2003	Jan.–Sep. 2002	Change absolute	Change in %
Europe	511.1	532.6	–21.5	–4.0
North and South America	145.3	167.6	–22.3	–13.3
Asia-Pacific, Africa	129.1	111.0	18.1	16.3
Total	785.5	811.2	–25.7	–3.2



Earnings

Despite a currency-related decrease in sales revenues, the Group increased its earnings in the first nine months of the year by a substantial 19.5 % to €22.7 million.

While gross profit of €292.7 million was €8.4 million lower than in the prior year (€301.0 million), mainly due to the currency-translation effects, successful cost management meant that selling and administrative expenses in particular were reduced more significantly (minus €9.7 million). As a result, an operating profit of €70.7 million (€69.3 million), or 9.0 % (8.5 %) of revenues, exceeded the result of the prior year in both absolute and relative terms.

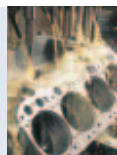
In addition, the sale of real estate, proceeds from the disposal of low-profit activities and lower restructuring expenses had a positive impact on other operating income. This item improved by €2.5 million compared with the prior year.

Goodwill amortization of €11.2 million (€11.4 million) was almost identical to the prior-year level, and included income risks from investments.

Earnings before interest and taxes (EBIT) rose by 6.6 % to €58.3 million (€54.7 million), and the EBIT margin reached a respectable 7.4 % (6.7 %).

As a consequence of lower financing volumes and falling interest rates, the financial loss decreased to €18.3 million (€19.4 million), so earnings before taxes of €40.0 million were 13.3% higher than in the prior year (€35.3 million).

We help to make sure workpieces get the right shape, the right geometry, the right dimensions. That's a high-precision job. Because between the blank and the finished part there are exact specifications for the quality of the surface, and precisely defined dimensions in the micrometer range.



And finally, a positive reduction in the Group's tax rate from 46.3 % to 43.3 % resulted in a 19.5 % increase in net profit after taxes to €22.7 million (€19.0 million).

From a regional perspective, in particular the increased earnings of our European lubricant companies more than offset the currency-related reduction in euro earnings of the Americas region.

In terms of the shares, which were split as of 28 July 2003 at a ratio of 1 to 3, both basic and diluted earnings per share amount to €3.04 (€2.54). Earnings per share before goodwill amortization amount to €4.61 (€4.14).

Capital expenditure

Investments in property, plant and equipment and intangible assets, with the exception of goodwill, totaled €12.3 million in the first nine months of this year (€20.2 million).

The focus of capital expenditure was on the locations in Western Europe and the plants in the United States.

Depreciation of property, plant and equipment and intangible assets, excluding goodwill amortization, amounted to €18.2 million (€19.6 million).

In addition, goodwill amortization of €11.2 million (€11.4 million) was taken into account, with a corresponding effect on earnings.

Workforce

At 30 September 2003, 4,166 persons were employed by the FUCHS PETROLUB Group (30 September 2002: 4,109). Over the preceding year, the workforce therefore expanded by 57 persons (+ 1.4 %).

1,114 persons were employed in Germany and 3,052 abroad. The number of employees in Germany thus decreased by 43 (–3.7 %) in the year since 30 September 2002; while outside Germany there was workforce expansion of 100 persons (+ 3.4 %).

In Europe excluding Germany, the number of employees decreased by 26 since 30 September 2002 to 1,505 (–1.7 %). This workforce reduction is due to the restructuring measures taken by some of our European subsidiaries.

In the Asia-Pacific and Africa region, the number of employees increased by 149 compared with the prior year to 931 (+ 19.1 %). This increase in staffing levels is largely a result of the consolidation in the third quarter of the companies, FUCHS LUBRICANTS (BANGLADESH) and FUCHS OIL MIDDLE EAST, as well as the positive business developments in China.

In the region of North and South America, the number of employees fell by 23 compared with the prior year, to 616 persons (–3.6 %).

Research and development

The R&D departments of our subsidiaries and affiliated companies and the Centers of Competence have completed numerous development projects in the period under review and have successfully put new products into practical use.

Vehicles with exhaust aftertreatment need not only sulfur-free fuel, but also engine oils with particularly low levels of harmful substances. A new zinc-free special oil for heavy duty diesel engines for commercial vehicles with particulate filters and catalysts has sharply reduced levels of sulfur, phosphor, sulfate ashes and has low evaporation losses. The use of this engine oil facilitates reduced fuel and oil consumption as well as a longer lifetime of the exhaust aftertreatment systems.

In the metal-working industry, an analysis of the entire process chain is necessary in order to take the right decisions on the proper use of oil or emulsion as a cutting fluid. In the field of ball-screw spindles, collaboration between customer and lubricant manufacturer has led



Whether it's metalcutting, metalforming or quenching processes: many of these production technologies will function properly only with a lubricant specifically developed for the purpose involved. Moreover, operator, machine, mold and work-piece all have to be taken equally into account. Besides enhanced productivity, then, the health aspect at the workplace also plays a crucial role.

to a changeover from oil to emulsion. As a result, the working spindles only have to be cleaned every third shift, instead of every shift as was previously the case. Furthermore, the manufactured spindles and the entire production line are much cleaner than before.

In Mexico's biggest automobile factory, together with the introduction of the state-of-the-art transfer presses from Germany, high-performance lubricants from FUCHS have also been introduced. The lubricants are specially adapted for the presses and were selected in collaboration with the customer and the press manufacturer. When used in such complex systems, the circulating oils and hydraulic oils can extend the equipment availability, reduce wear and contribute to lower operating costs. The project was carried out in close co-operation between the German and Mexican FUCHS companies, with the latter providing local customer support.



Acquisitions

The FUCHS PETROLUB Group continued with its growth strategy in Asia-Pacific during the first nine months of the year 2003.

As already reported in the interim report on the first half of this year, FUCHS has established a presence in Japan by means of a capital increase in NIPPON KOYU with a minority interest of 11 %. This company has its headquarters in Tokyo and with annual revenues of €29.4 million and 125 employees is the third-largest manufacturer of lubricants in Japan, one of the world's major markets for lubricants.

In Australia, FUCHS LUBRICANTS (AUSTRALASIA) acquired the lubricants business of EXPRESS OILS in West Australia. EXPRESS OILS has annual revenues of around €2.2 million.

In June 2003, the economic goods of RAVENSBERGER SCHMIERSTOFFVERTRIEB in Werter, Germany, were being transferred to Rimol whereby the brand name RAVENOL and 90 % of sales were divested.



Outlook

We anticipate a slight economic recovery, which should intensify in 2004 and lead to a moderate rise in the global demand for lubricants.

We will continue the process of integrating the Group and making it leaner, while utilizing the opportunities offered by concentration and consolidation within the lubricants industry. We are therefore pursuing possible acquisitions in strategically important niches and regions in order to optimize our leading position in the field of special lubricants. We expect to finalize a project in the coming weeks. In this case we would take advantage of a limited volume of financing measures with the use of authorized capital.

Our sales revenues for full-year 2003 will exceed €1.0 billion. Our profitability will remain good – a forecast that has to be seen against our record net profit of €24.1 million achieved in 2002.

Mannheim, 14 November 2003
FUCHS PETROLUB AG

Our R&D people have developed water-miscible products, enabling production processes to be performed successfully in the neutral pH range. In addition, our neat cutting oils based on conventional and renewable raw materials ensure enhanced efficiency. In terms of applications engineering, native products are even far superior to those on a conventional basis.



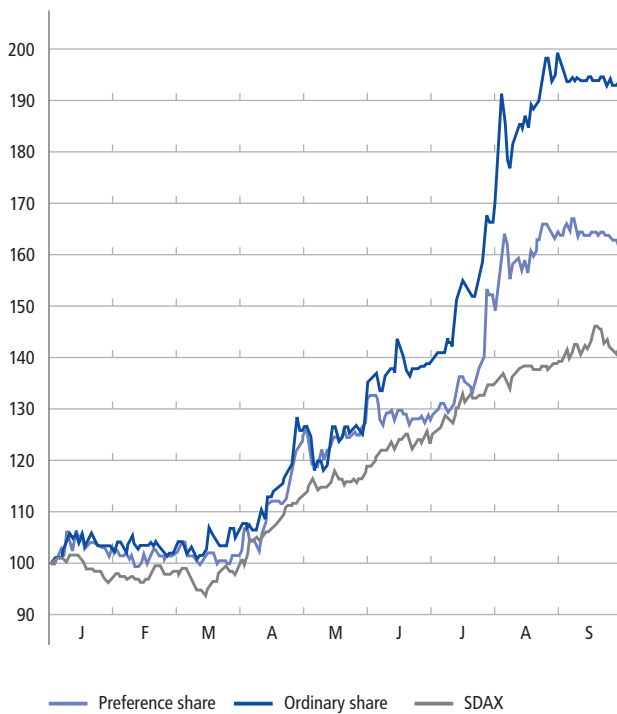
The FUCHS shares

The price of FUCHS shares continued to rise in the first nine months of 2003, assisted by the strong net profit of the year 2002 and the first half of 2003, the increase in the cash dividend approved by the shareholders on 5 June 2003, and the prospects of continued strong profitability in the current year. On 30 September 2003, the ordinary shares were listed at €46.00 and the preference shares at €37.30; this represents a rise of 96.6 % and 58.7 % respectively since the end of 2002.

After the share split carried out on 28 July 2003, both shares reached their highest prices so far this year: the ordinary shares at €47.80 on 27 October and the preference shares at €41.00 on 8 September. At 30 September 2003, the company's total market capitalization was €299.0 million, of which €131.1 million was accounted for by the preference shares listed in the SDAX. Trading in the ordinary and the preference shares increased considerably to a total of €88.4 million in the first nine months of this year. The corresponding figure for full-year 2002 was €44.3 million.

During the period under review, we received no notification of shareholdings subject to mandatory disclosure.

Indexed comparative performance of the FUCHS PETROLUB shares, from 1 January to 30 September 2003 in %



Consolidated financial statements

Consolidated income statement

[in € million]	Jan.–Sep. 2003	Jan.–Sep. 2002
Sales revenues	785.5	811.2
Cost of sales	–492.8	–510.2
Gross profit	292.7	301.0
Selling expenses	–151.2	–157.0
Administrative expenses	–54.0	–57.6
Research and development expenses	–16.8	–17.1
Operating profit	70.7	69.3
Other operating income	14.4	12.0
Other operating expenses	–15.6	–15.7
Investment income	0.0	0.5
Earnings before interest, taxes and goodwill amortization (EBITA)	69.5	66.1
Goodwill amortization	–11.2	–11.4
Earnings before interest and taxes (EBIT)	58.3	54.7
Financial result	–18.3	–19.4
Earnings before taxes (EBT)	40.0	35.3
Taxes on income	–17.3	–16.3
Net profit before minority interest	22.7	19.0
Minority interest	0.9	0.8
Net profit after minority interest	21.8	18.2
Earnings per share after the share split of 28.7.2003 (1:3) and after goodwill amortization [in €]*	3.04	2.54

* Basic and diluted in both cases

Earnings before goodwill amortization

[in € million]	Jan.–Sep. 2003	Jan.–Sep. 2002
Net profit after minority interest	21.8	18.2
Goodwill amortization	11.2	11.4
Net profit after minority interest but before goodwill amortization	33.0	29.6
Earnings per share after the share split of 28.7.2003 (1:3) and before goodwill amortization [in €]*	4.61	4.14

* Basic and diluted in both cases

Consolidated balance sheet

[in € million]	30.9.2003	31.12.2002
Assets		
Intangible assets	99.1	111.0
Property, plant and equipment	168.9	181.0
Financial assets	15.9	20.5
Non-current assets	283.9	312.6
Inventories	130.0	132.8
Trade receivables	189.2	169.6
Other receivables and other assets	49.2	45.6
Securities	0.9	0.2
Cash and cash equivalents	27.1	13.4
Current assets	396.4	361.6
Deferred tax assets	3.7	4.3
Total assets	684.0	678.4
Shareholders' equity and liabilities		
Subscribed capital	64.5	62.1
Group reserves	24.2	19.9
Group profits	21.8	23.1
FUCHS PETROLUB Group capital	110.5	105.2
Minority interest	4.5	4.9
Shareholders' equity	115.0	110.1
Participation-right certificates	51.1	51.1
Pension provisions	57.5	56.1
Other provisions	63.3	58.4
Provisions	120.8	114.5
Financial liabilities	246.5	267.3
Trade liabilities	84.1	79.5
Other liabilities	58.0	46.7
Liabilities	388.6	393.5
Deferred tax liabilities	8.5	9.2
Total equity and liabilities	684.0	678.4

Notes to the consolidated financial statements

The consolidated financial statements of FUCHS PETROLUB AG, Mannheim, were prepared in accordance with the principles of International Financial Reporting Standards (IFRS), taking into account the interpretations of the guidelines issued by the International Accounting Standards Board (IASB). The accounting and valuation principles, together with the calculation methods, remain unchanged from the consolidated financial statements for 2002; we therefore refer to the notes to the consolidated financial statements for the year 2002.

Statement of changes in equity

[in € million]	Sub- scribed capital AG	Capital reserves AG	Reserves and retained earnings, Group
Balance at 31.12.2002	62.1	78.4	-45.6
Dividend payments	-	-	-11.0
Gains and losses not recognized in the income statement			
Capital increase from own funds	2.4	-2.4	-
Currency effects	-	-	-
Fair value of financial instruments	-	-	-
Other	-	-	1.1
Gains and losses recognized in the income statement			
Net profit Jan.–Sep. 2003	-	-	21.8
Balance at 30.9.2003	64.5	76.0	-33.7

Effects from currency transaction	Fair value of financial instruments	Group capital	Minority interest	Share holders' equity
11.5	-1.2	105.2	4.9	110.1
-	-	-11.0	-0.7	-11.7
-	-	0.0	-	0.0
-6.5	-	-6.5	-	-6.5
-	-0.1	-0.1	-	-0.1
-	-	1.1	-0.6	0.5
-	-	21.8	0.9	22.7
5.0	-1.3	110.5	4.5	115.0

Statement of cash flows

Adjusted for currency-translation and consolidation effects, the Group's statement of cash flows shows an increase in the gross cash flow to €54.1 million (€51.3 million), largely due to the improved earnings for the period. Depreciation and amortization of non-current assets decreased for currency-translation reasons due to the strength of the euro.

The cash inflow from operating activities of €53.1 million exceeds the corresponding figure for the prior-year period (€51.9 million). Our program designed to reduce net current assets succeeded in reducing them slightly. Receivables increased at a lower rate than in the prior-year period, while in-inventories remained almost unchanged (minus €0.3 million). Other assets decreased mainly as a result of tax rebates. Liabilities rose significantly for calendar reasons (plus €12.0 million).

The cash outflow from investing activities of €11.0 million was nearly 60 % lower than in the prior-year period (€27.1 million), due to lower investment in non-current assets and the disposal of some smaller activities and real estate not required for business operations. Previous acquisitions in Japan (NIPPON KOYU) and Australia (EXPRESS OILS) now had an effect on cash flows. The free cash flow before dividend distribution thus amounts to €42.1 million, and exceeds the level of the prior-year period (€24.8 million) by almost 70 %.

The free cash flow was utilized for dividend distributions (€11.7 million), to reduce financial liabilities (€15.4 million), and to increase the Group's cash and cash equivalents (€14.5 million).

[in € million]	30.9.2003		30.9.2002	
Net profit for the first nine months		22.7		19.0
Depreciation and amortization of non-current assets		29.5		31.1
Change in long-term provisions		1.9		1.2
Gross cash flow	54.1		51.3	
Change in short-term provisions		5.2		13.5
Change in inventories		-0.3		1.5
Change in receivables		-15.5		-17.3
Change in other assets		-1.5		-7.3
Change in liabilities (excluding financial liabilities)		12.0		10.2
Gain on disposal of non-current assets		-0.9		0.0
Cash inflow from operating activities	53.1		51.9	
Investments in non-current assets		-13.9		-23.5
Acquisitions of consolidated business entities		-0.5		-3.6
Proceeds from the disposal of non-current assets		3.4		0.0
Cash outflow from investing activities	-11.0		-27.1	
Free cash flow before dividend distributions	42.1		24.8	
Dividend distribution for the preceding year		-11.7		-10.0
Change in financial liabilities		-15.4		-7.8
Change in cash due to changes in the consolidated group		0.3		0.0
Cash outflow from financing activities		-26.8		-17.8

[in € million]	30.9.2003		30.9.2002	
Cash and cash equivalents at the end of the preceding year		13.5		27.1
Cash inflow from operating activities		53.1		51.9
Cash outflow from investing activities		-11.0		-27.1
Cash outflow from financing activities		-26.8		-17.8
Effect of currency translation		-0.8		-1.2
Cash and cash equivalents at the end of the third quarter		28.0		32.9
Details of the acquisition and disposal of companies and other business entities				
Total amount of all purchase prices		0.5		3.6
Balance of acquired net assets		0.0		2.2
Total proceeds		1.8		-
Net assets sold		1.3		-

Information for shareholders

- 25 November 2003 **German Mid Cap Conference, Frankfurt**
- 27 November 2003 **German Equity Capital Forum, Frankfurt**
- 23 April 2004 **Annual Press Conference, Mannheim**
DVFA Analysts Conference, Frankfurt
- 9 June 2004 **Annual Shareholders' Meeting, Mannheim**
- 14 June 2004 **Information Event for Swiss Shareholders, Zurich**
- 17 August 2004 **Half-Year Press Conference**
- 14/15 September 2004 **Financial Markets Conference**
- 14 May 2004 **Next interim report**
Report on the first quarter of 2004

This interim report is of course also available in German. Both the English and the German versions are available on the Internet.

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