

Quarterly Report

for the First Quarter of 2003



- Continuing success
- Profit after taxes up by 33 %
- Well prepared to cope with external uncertainties

FUCHS PETROLUB AG



The first quarter of 2003 at a glance

FUCHS PETROLUB Group

[in € million]	1–3/2003	1–3/2002
Sales^{*)}	263.4	265.7
Europe	172.4	174.2
North and South America	49.5	56.3
Asia-Pacific, Africa	41.5	35.2
Earnings before interest and taxes (EBIT)	17.3	16.4
Quarterly net income	6.1	4.6
Gross cash flow	16.4	16.3
Capital expenditure	3.7	4.4
Employees	4,202	4,145
Germany	1,160	1,147
International	3,042	2,998

^{*)} By company's location

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Chairman's letter



Dear shareholders and friends,

The FUCHS PETROLUB Group continued to perform successfully in the year's first quarter.

In the period from January to March 2003, internal growth of 5.7 % was achieved, though due to exchange rate factors sales, at € 263.4 million, stayed at about the preceding year's level (265.7). The profit after taxes rose by 32.6 % to reach € 6.1 million (4.6). In accordance with international financial reporting standards (IFRS) goodwill has been amortized in full *pro rata temporis* and deducted from profits. Before this goodwill amortization, the quarterly profit after taxes came to € 8.8 million (7.3).

The quarterly profit per share increased to € 3.6 (3.0) before and € 2.4 (1.8) after goodwill amortization.

Our share prices reflect the group's good performance and income figures. Over the entire period under review, they were significantly above the closing price for 2002 and by late April/early May 2003 were up by 25–30 %. Nonetheless, the valuation remains moderate, and provides definite scope for further rises in the future.

Dr. Manfred Fuchs
Chairman of the Executive Board

The FUCHS shares

The stock market responded to publication of the group's good results for 2002 and the resultant proposal for increased dividends with a continued rise in the stock prices. On 13 May 2003, the ordinary share was listed at € 85.00, the preference share at € 89.00. This corresponds to an increase of 21.1 % and 26.2 % respectively since the end of 2002, while in the same period the DAX and SDAX were up by a mere 0.6 % and 16.3 % respectively.

The proposal to the AGM on 5 June 2003, will ask it to increase the cash dividend from the preceding year to € 4.37 (3.87) per ordinary share and € 4.88 (4.38) per preference share. With a dividend total of € 11.0 million, the distribution quota is 47.6 % of the group's net income for 2002 after minority interests. With the outlook for further price gains continuing bright, both classes of share offer above-average dividend yields. Referenced to the average prices for the ordinary share of € 66.75 and for the preference share of € 66.80 in 2002, the yields work out at 6.5 % for the ordinary share and 7.3 % for the preference share.

We received no notification in the period under review of shareholdings subject to mandatory reporting.

The lubricants market

Following a moderate rise of 0.5 % worldwide in 2002, demand for lubricants (excluding ocean shipping) fell by around 3.5 % overall in the six major industrialized economies (the USA, Japan, Germany, the United Kingdom, France and Italy) in the first quarter of 2003, due to the downtrend in the global economy, negative inventory cycles and structural factors. For the year as a whole, we are nonetheless anticipating a slight increase of about 0.5 % in global demand.


In Western Europe's four biggest national lubricant markets (Germany, France, the United Kingdom and Italy), which account for around 70 % of the region's total consumption, domestic demand fell by a total of about 1.2 % in the first three months of the current year.

In Germany, the biggest market in Western Europe, there was an overall drop of 0.7 %, attributable primarily to a 1.3 % fall in sales of standard-type lube oils (automotive and industrial oils), while national demand for specialty products (metalworking fluids, corrosion preventives and greases) increased by 4.2 % in the same period.

In France, the shrinkage in domestic consumption totaled 4.6 %, about two-thirds of it accounted for by automotive lubricants, and about one third by industrial lubricants.

Volume growth of 1.5 % came from the United Kingdom, whereas consumption in Italy fell by 0.7 %.

Disparate volume shifts are also reported from major lubricant-consuming nations outside Europe. Demand in the USA, the world's biggest national market, was down by 5.8 % due not least to inventory downsizing, while in Japan, Asia's second-largest market, consumption rose by 2.1 %.



We preserve valuable resources. And not just since "sustainability" became the new buzzword. When it comes to developing environment-friendly products, FUCHS ranks among the pioneers. Today, we are the world's market leader for rapidly biodegradable lubricants.



Sales

During the first three months of 2003, the group increased its sales through internal growth by a gratifying €15.2 million or 5.7 %. However, this fine performance was significantly overshadowed by effects from currency translation, at €–21.3 million or –8.0 %. Thus even after factoring in external growth of €3.8 million (+1.4 %) total sales fell by €2.3 million or 0.9 % to €263.4 million (265.7).

The factors behind sales performance in overview:

	€ million	%
Internal growth	+15.2	+5.7
External growth	+3.8	+1.4
Currency translation effects	–21.3	–8.0
Sales development	–2.3	–0.9

The regional breakdown again shows that the Asia-Pacific, Africa region, with sales growth of 15.2 %, is the principal focus for internal growth. The companies in Bangladesh and in the United Arab Emirates now consolidated for the first time are also part of this region. Together with the group company located in Hungary, these three companies were the foremost contributors to the external growth of €3.8 million.

Sales at the European companies were in most cases at or above the level of 2002's first quarter. However, the falling exchange rate for sterling adversely affected the region's sales figures, so that on balance sales were slightly down (€–1,8 million).

Exchange rate shifts had a significant effect on the sales figures of the America region. Although all companies there successfully increased their turnover in terms of local currency, after conversion to euros sales were down by 13.7 %.

Regional sales breakdown

[in € million]	1 st quarter of 2003	1 st quarter of 2002	Change absolute	Change in %
Europe	172.4	174.2	-1.8	-1.0
North and South America	49.5	56.3	-6.8	-13.7
Asia-Pacific, Africa	41.5	35.2	6.3	15.2
Total	263.4	265.7	2.3	-0.9

Earnings

During the first quarter of 2003, the group progressed last year's successful performance. Although the sales figures stagnated due to exchange rate factors, gross income and operating result were up in absolute and relative terms.

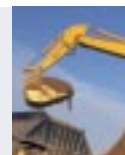
The reasons for the rise in gross income to € 96.8 million (95.7) and in the operating result to € 20.6 million (19.5) are primarily rooted in cost reductions, where we benefited from our initiatives for cost-limitation and from exchange rate shifts. The gross margin was 44.8 % (44.3), while the operating margin reached 7.8 % (7.3).

Earnings before interest and taxes (EBIT) rose to € 17.3 million (16.4) and were thus 5.5 % up on the preceding year's equivalent figure. The EBIT margin reached 6.6 % (6.2).

Both the financing and tax expenses were down on the preceding year's figure in both absolute and relative terms. Thus net income after taxes showed a significantly over-proportional rise of 32.6 % to reach € 6.1 million (4.6).



Over the years, a whole range of different products has been created, all of which have contributed towards ensuring sustainability in conjunction with enhanced efficiency. Our experts have succeeded here in developing rapidly biodegradable high-performance lubricants based on synthetic esters made from renewable raw materials.



Due to exchange rate factors, the results of the North and South America region when expressed in euros were just below the preceding year's figures. Taking performance as a whole, almost all lubricant companies contributed to the group's gratifying rise in earnings, while the companies of the Polishing Technology Division were still suffering from unfavorable market conditions.

Earnings per share come to € 2.4 (1.8). Before goodwill amortization, the figure comes to € 3.6 (3.0).

Capital expenditure

The group's capital expenditure on tangible and intangible assets, with the exception of goodwill, came to € 3.7 million (4.4).

About a quarter of this sum was invested at the facility in Mannheim.

Depreciation on tangible and intangible assets excluding goodwill amortization came to € 6.2 million (7.4).

In addition, goodwill amortization amounted to € 2.7 million (2.7).



One of the lubricants most recent applications is in wind power facilities: for gears, hydraulics and rolling bearings. The demand involved is quite considerable. A wind power facility rated at 1.5 megawatts, for example, needs about 600 kg of lubricants in total.



Our people

On 31 March 2003, the FUCHS PETROLUB Group was employing 4,202 people (31 March 2002: 4,145). The number of employees thus increased by 48 people (+ 1.2 %) over the preceding year's equivalent date.

1,160 of these were being employed in Germany, and 3,042 abroad. This means the payroll in Germany rose by 13 people (+1.1 %) over the first quarter of 2002, while the staffing level abroad was up by 35 people (+ 1.6 %).

In the other European countries, the number of employees decreased by 8 people (– 0,5 %) compared to 31 March 2002, to 1,531. This reduction in the workforce is attributable to restructuring initiatives at some European companies. FUCHS OIL HUNGÁRIA was fully consolidated for the first time in the first quarter of 2003.

In the Asia-Pacific, Africa region, the number of employees rose by 70 people (+ 11.7 %) to 888 compared to the first quarter of 2002. This increase in the payroll is predominantly attributable to the consolidation during the year's first quarter of the companies FUCHS LUBRICANTS (BANGLADESH) and FUCHS OIL MIDDLE EAST, and to the fine performance of our companies in China.

In the North and South America region, the payroll fell on a like-for-like basis by 27 people (–4.2 %) to 623 employees.

Research and development

In the period under review, the R&D departments and Centers of Competence developed numerous new products, which have been successfully trialed on the test rigs or in the field.

Improved low temperature performance and enhanced stability of frictional resistance are the salient features of a new automatic transmission fluid, whose development has meanwhile been completed, and which will shortly be supplied for first fills at a German automaker.

Synthetic water-based hydraulic fluids are indispensable for smooth, safe operation of presses for hydroforming. A product developed specifically for this application, following successful tests conducted jointly with a leading press manufacturer, has been officially recommended by the latter.

A sealing grease for concrete construction work, which swells selectively when exposed to water, has been significantly improved in conjunction with a major customer, and upgraded to incorporate good low-temperature properties.

STOUs are multi-purpose oils which can be used as engine, gear and hydraulic oils in farm vehicles. In agriculture, particularly, environmental compatibility plays a vital role. This is why FUCHS set itself the task, now successfully completed, of developing an environment-friendly lube oil based on renewable raw materials and simultaneously providing maximized performance capabilities at the individual assemblies involved.

Due to the high RPMs and increased continuous temperatures involved, turbo-compressors pose ultra-tough requirements for the lubricant being used. An innovative turbo-compressor oil, combining aging stability, long lifetime and smooth running, has gone successfully into use.

Outlook

The company stands on solid foundations for a successful future: it is the innovation and specialization leader in crucial fields, keeps a keen eye on its structures and costs, and operates a global presence.

The FUCHS PETROLUB Group is thus prepared to meet and master external uncertainties, and can operate successfully despite the currently disappointing macro-economic environment, and other difficulties.

Sales are expected to reach € 1.1 bn. Earnings will continue to be healthy, even though the benchmark for the ongoing quarter is particularly challenging, since from April to June 2002 the group achieved the best quarterly result in its entire history, at € 7.4 million.

Mannheim, 15 May 2003
FUCHS PETROLUB AG

Profit and loss statement

[in € million]	1 st quarter of 2003	1 st quarter of 2002
Sales revenues	263.4	265.7
Cost of sales	-166.6	-170.0
Gross profit	96.8	95.7
Selling and distribution costs	-51.6	-52.3
Administration costs	-18.7	-18.3
Research and development costs	-5.9	-5.6
Operating result	20.6	19.5
Other operating income	2.8	3.3
Other operating expenses	-3.5	-4.0
Investment income	0.1	0.3
Earnings before interest, taxes and goodwill amortization (EBITA)	20.0	19.1
Goodwill amortization	-2.7	-2.7
Earnings before interest and taxes (EBIT)	17.3	16.4
Financial result	-6.0	-6.3
Earnings before taxes (EBT)	11.3	10.1
Taxes on income	-5.2	-5.5
Net income	6.1	4.6
Minority interest	0.3	0.2
Net income after minority interest	5.8	4.4
Earnings per share after goodwill amortization [in €]	2.4	1.8

Earnings before goodwill amortization

[in € million]	1 st quarter of 2003	1 st quarter of 2002
Net income after minority interest	5.8	4.4
Goodwill amortization	2.7	2.7
Net income after minority interest before goodwill amortization	8.5	7.1
Earnings per share before goodwill amortization [in €]	3.6	3.0

Information for shareholders

[in € million]	31.3.2003		31.3.2002	
Change in liabilities (excluding financial liabilities)		13.7		-3.7
Net gains on disposal of fixed assets		0.0		0.0
Cash inflow from operating activities	8.1		6.2	
Investments in fixed assets		-3.7		-4.4
Acquisitions of consolidated business units		0.0		-3.6
Proceeds from the disposal of fixed assets		0.0		0.0
Cash outflow from investing activities		-3.7		-8.0
Free cash flow before dividend payouts	4.4		-1.8	
Dividend payouts for the preceding year		0.0		0.0
Change in financial liabilities		6.3		-3.8
Effect in composition of consolidated group in cash and cash equivalents		0.2		0.0
Cash inflow from financing activity		6.5		-3.8
Cash and cash equivalents at the end of the preceding year		13.5		27.1
Cash inflow from operating activities		8.1		6.2
Cash outflow from investing activities		-3.7		-8.0
Cash inflow from financing activities		6.5		-3.8
Effect of currency translation		-0.3		0.0
Cash and cash equivalents at the end of the first quarter		24.1		21.5

5 June 2003 **Annual General Meeting,
Mannheim**

6 June 2003 **Informational event for Swiss
shareholders, Zurich**

15 August 2003 **First-half press conference**

9/10 September 2003 **Annual analysts' conference,
Aachen**

15 August 2003 **Next quarterly report**
Report on the first half of 2003

This quarterly report is also available in German. Both language versions can be found on the internet.

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