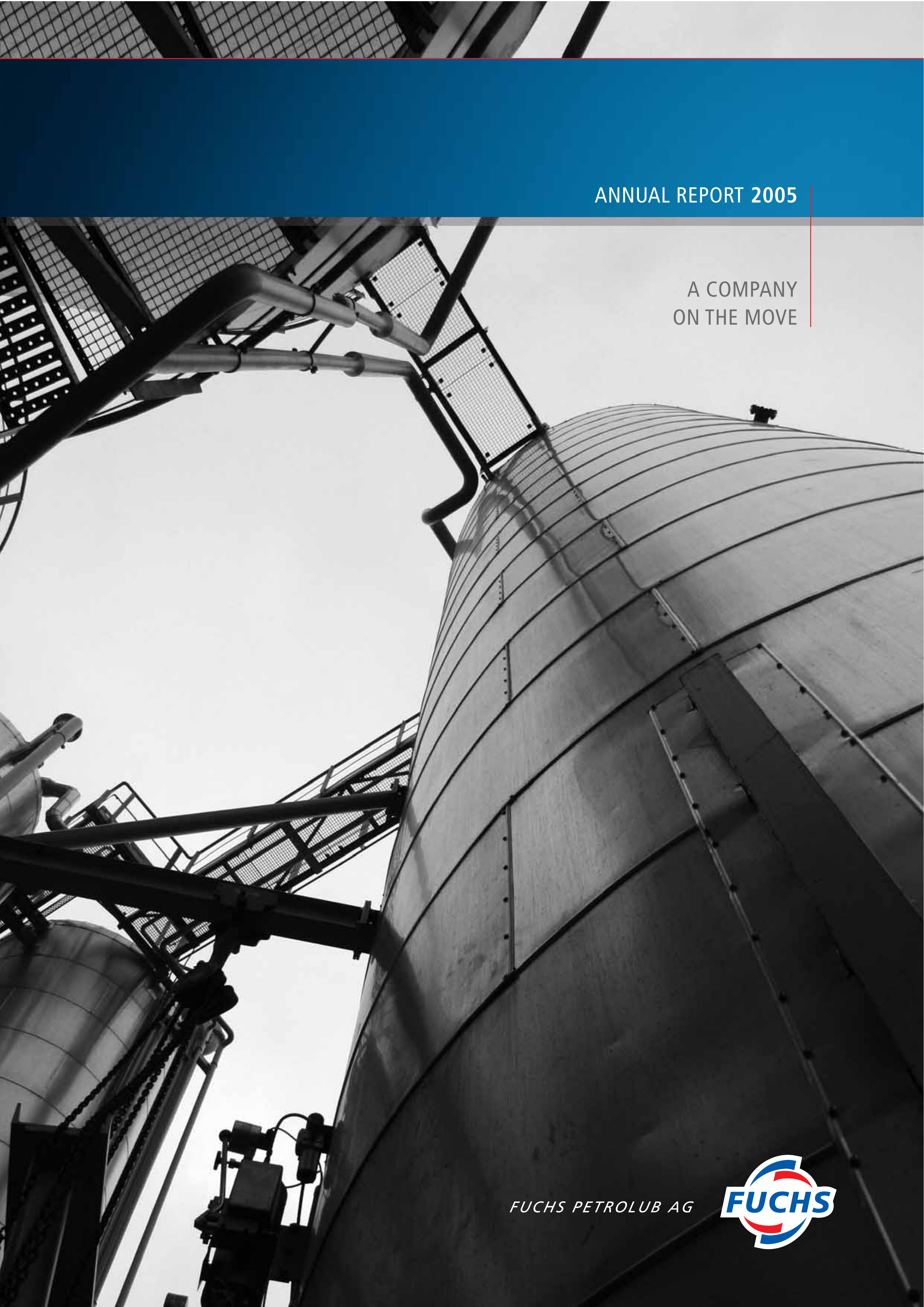
ANNUAL REPORT **2005**

A COMPANY
ON THE MOVE



FUCHS PETROLUB AG

FUCHS AT A GLANCE

FUCHS PETROLUB Group

[amounts in € million]	2005	2004	Change in %
Sales revenues	1,192.2	**1,096.3**	**8.7**
thereof, international	924.0	834.1	10.8
in %	77.5	76.1	
EBITDA[1]	158.2	**129.2**	**22.4**
in % of sales revenues	13.3	11.8	
EBIT before special effects[2]	121.2	**94.8**	**27.8**
in % of sales revenues	10.2	8.6	
EBIT[3]	128.8	**86.2**	**49.4**
in % of sales revenues	10.8	7.9	
Net profit after taxes	74.2	**40.1**	**85.0**
in % of sales revenues	6.2	3.7	
Investments in property, plant and equipment and intangible assets (excluding goodwill)	28.8	**22.1**	**30.3**
in % scheduled depreciation	131.1	90.9	
Shareholders' equity	232.6	**159.8**	**45.6**
in % of balance sheet total	33.6	25.4	
Balance sheet total	691.3	**628.6**	**10.0**
Number of employees on December 31, 2005	4,137	**4,155**	**– 0.4**
Earnings per share [in €][4] **adjusted for special effects**			
– ordinary share	2.80	1.99	40.7
– preference share	2.86	2.05	39.5
Proposed dividend/dividend [in €][4]			
– per ordinary share[5]	0.71	0.55	29.1
– per preference share[5]	0.77	0.61	26.2

1 Earnings before interest, taxes and depreciation.
2 Earnings before interest and taxes before special effects from the sale of land (€7.6 million) the cessation of goodwill amortization in the previous year (€7.6 million).
3 Earnings before interest und taxes.
4 For better comparability, prior-year figures have been converted to the number of shares resulting from the share spilt of June 2005 (share split 1:3).
5 In 2005 including the anniversary bonus of €0.10 € per share.

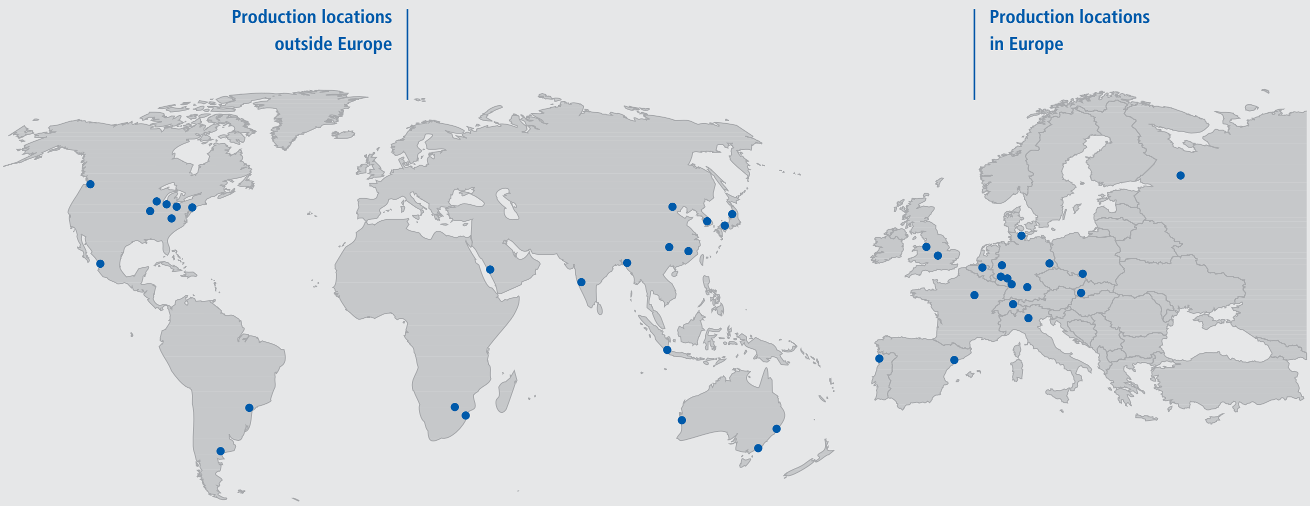
GROUP STRUCTURE

The Group is headed by the central-management controlling company, FUCHS PETROLUB AG, which predominately owns direct and 100 % subsidiaries.

On December 31, 2005, the Group comprised 62 operating companies. The consolidated financial statements also include non-operating holding companies, management companies and real-estate companies, thus increasing the number of consolidated companies to 70. Of the 62 operating companies, 7 conducted their business activities in Germany and 55 abroad. The organizational and reporting structure is divided into the following regions:

Europe, North and South America, Asia-Pacific, Africa.

SUBSIDIARIES AND PRODUCTION LOCATIONS

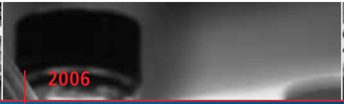
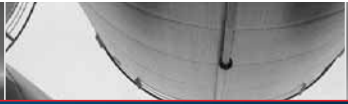


Subsidiaries and production locations

	Subsidiaries[1]	Production locations[2]
Germany	7	7
Other European countries	25	8
North America	4	8
Central and South America	2	2
Africa	1	2
Asia-Pacific	23	12
Total	**62**	**39**

1 Excluding management companies, real-estate companies and dormant companies.
2 Lubricant plants without polishing-technology plants and without partner plants in Saudi Arabia and Switzerland.

status: Dec. 31, 2005


A COMPANY ON THE MOVE




In this Annual Report, we not only look back on a very successful year 2005, but also on 75 years of company history.

Therefore, we submit a report which is both a snapshot of the company's present appearance and its historical dimension.

The people at FUCHS provide the focal point for these perspectives. Selected portraits and quotes of our workforce not only enrich the report with day-to-day business but also provide spontaneous and direct insight in the company's work life.

Behind the dynamics of change, it is our objective to show the constants for sustainable company development – the corporate and ethical values established at FUCHS over three generations.

For the authentic report photography we recruited Horst Hamann, an internationally reputable photographer.

He is from Mannheim, and, like us, at home all over the world.



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1931

RUDOLF FUCHS
founder of the company
of same name in
Mannheim

THE COMPANY

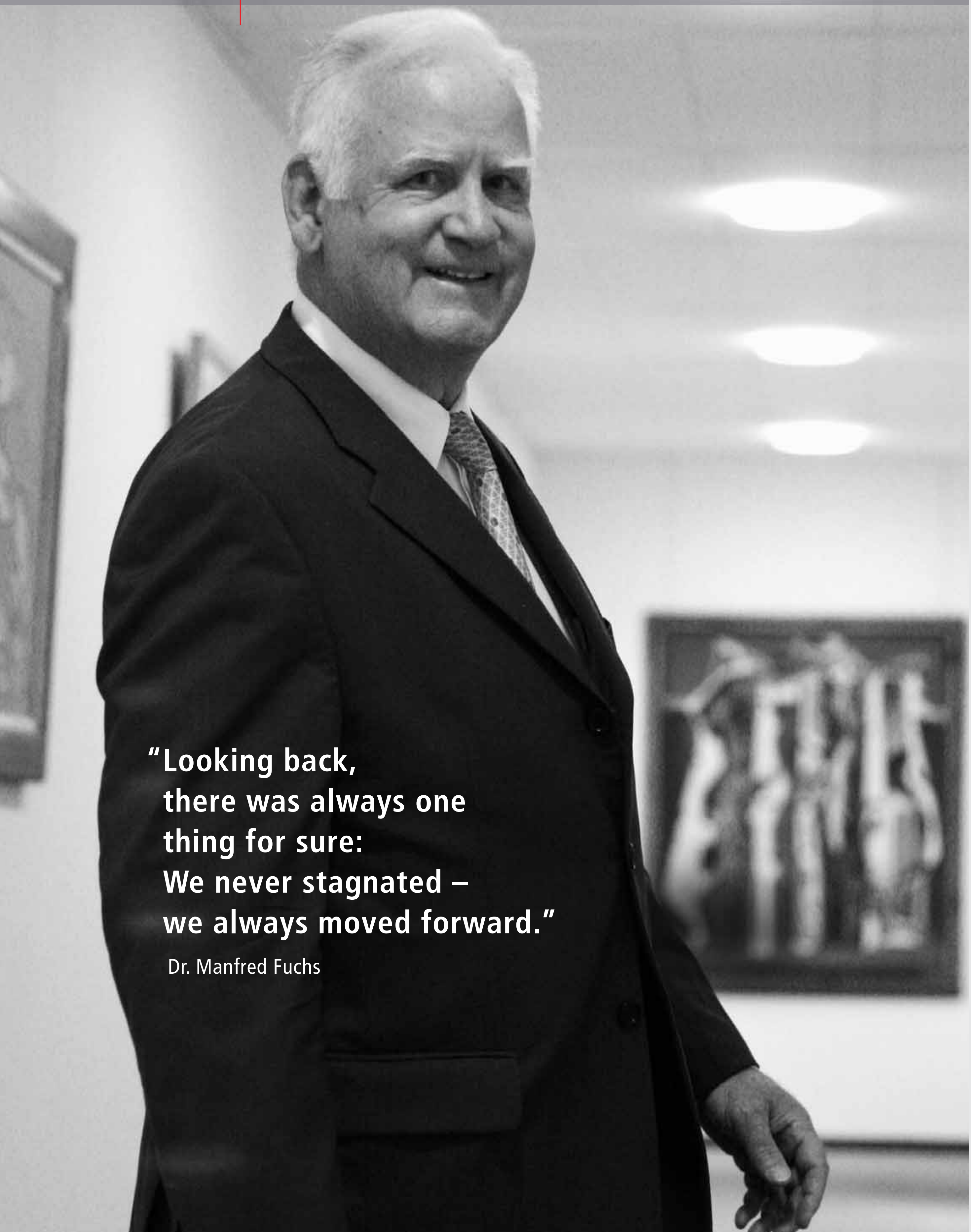
FUCHS PETROLUB is a global Group based in Germany which produces and distributes lubricants and related specialties. The company, headquartered in Mannheim, was founded in 1931 and ranks Number One among the world's independent lubricant companies.

The Group currently employs 4,137 people worldwide in 62 operating companies.

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

The company's degree of specialization and speed of innovation are far above the average for the sector. Its product range includes several thousand lubricants and related specialties for all applications and industries. We serve customers in the fields of mining, steel production, agriculture, transport, the automobile industry, mechanical engineering, pharmaceuticals and everyday consumers, as well as automotive lubricant retailers. The ordinary and preference shares are listed for official trading on the stock exchanges in Frankfurt and Stuttgart, as well as the Swiss stock exchange in Zürich.

75 YEARS OF FUCHS – One of the most impressive aspects in FUCHS' company history is the enormous growth dynamic of the company based on a unique corporate identity and culture. Today, more than 4,000 employees work for a company open to the world but dedicated to its German origins, where everything started in a small cubicle in Mannheim on May 30, 1931.



**"Looking back,
there was always one
thing for sure:
We never stagnated –
we always moved forward."**

Dr. Manfred Fuchs

LETTER TO THE SHAREHOLDERS

Dear shareholders,

In the past business year, for the fourth year in succession, we increased our net profits by a double digit percentage and further strengthened our accounts. Both types of shares have continued to rise in the market – overall a good way to start our anniversary year, 2006. Based on this solid key data, the Executive Board and the Supervisory Board recommend to the Annual Shareholders' Meeting that dividends should likewise be increased for the fourth successive year.

Seventy-five years ago, on May 30, 1931, FUCHS was founded in Mannheim by my grandfather, Rudolf Fuchs. After his death, my father, Dr. Manfred Fuchs, managed the company for 42 years and gradually expanded it into the largest independent lubricants company in the world. We achieved tremendous growth with the support of the capital market and are now able to look back at a successful 21-year history on the stock exchange. To thank you, our valued shareholders, we recommend to the Annual Shareholders' Meeting that together with increased dividends,you will also receive an anniversary bonus dividend and additional bonus shares. This blend of long- and short-term measures expresses our confidence in the further positive development of the company.

The earnings for 2005, which were achieved against the background of radically increasing raw material costs, show that FUCHS adopted the right strategy and reacted appropriately to economic cycles and external market influences. In the past year Western Europe experienced an increase in the price of mineral oil containing base oils in the region of 70 %, which when taking into account the devaluation of the euro against the dollar amounted to around 90 %. However, it was not only the high raw material prices which had to be overcome but also the partial shortage of these raw materials. Our business model once again proved to be sound. We are not dependent on single key accounts or industries, we are the technological leaders in strategically important niches and we pursue value-orientated growth. Restructuring is largely completed, and all of the operating subsidiaries have contributed positively to Group profits. This underlines our robust condition.

In the past year, sales revenues increased by 8.7 % to just under €1.2 billion. 80 % of the growth in sales revenues was a result of organic growth, particularly due to increasing prices and improvements to the product mix. When eliminating special effects, which have once again increased earnings, we were able to exceed the already high level of earnings before interest and taxes (EBIT) of the previous year by 27.8 %. The return on capital employed (ROCE) reached 25.8 %. The company has generated €71.4 million in excess of its internal cost of capital.

Excellent share price performance

Despite the inflated current assets caused by the considerable increases in the cost of raw materials it was possible to produce a free cash flow of just under €52 million. We recommend that approximately one third of this be distributed among our shareholders and two thirds go towards the further reduction in the level of debt. In 2005, a small acquisition took place in Great Britain and outstanding shares were acquired in our subsidiaries in Brazil and Slovakia. As well as extending our production capacity for lubricating greases, particularly in Germany, and furnishing our Western European factories with fire protection equipment, we also expanded our North American head office in the USA and secured additional expansion options for the future.

With an equity ratio of 33.6 % at year end, and the improved balance sheet ratios, FUCHS is primed to participate in the upcoming market consolidation. In doing so, we will not deviate from our business model. Value-orientated growth in niche and specialty businesses is primary when seeking potential acquisitions.

2006 will continue to be marked by increasing prices of raw materials and targeted sales price increases as well as mix improvements. When it comes to EBIT, we work towards continuing the progress of the previous year before one-time factors, and maintain the operating cash flow at a high level.

This year we are celebrating our 75th anniversary and will want to ensure that the FUCHS success story continues throughout our next quarter century. We are anxious to further strengthen our position as the largest independent lubricants corporation in the world and to generate sustainable shareholder value.

I would like to thank you, the shareholders of FUCHS PETROLUB AG, for the trust you give us. I would also like to thank our employees for the high level of dedication in the past year and to encourage them to continue doing so in 2006.

Mannheim, March 2006

Yours

Stefan Fuchs
Chairman of the Executive Board

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

For the fourth year in succession the FUCHS PETROLUB Group has achieved record earnings. This outstanding success shows that FUCHS in the year of its 75th anniversary is in good, solid shape. Early specialization, consistent internationalization, continuous growth and ongoing disciplined cost management have been and remain the maxims for the company's action with which it has operated successfully for 75 years in the lubricant market and taken up a leading position. A further factor in our success to be recognized is the high entrepreneurial responsibility of the Executive Board and the great performance of all the staff who have worked successfully for the company during this time – some of them for many decades. Taking all this into account the Supervisory Board is confident in this anniversary year of 2006 that the FUCHS PETROLUB Group in the position it has achieved today has every chance of extending its position as a leading independent international lubricant company in the coming years.

Board meetings

In 2005, the Supervisory Board monitored the work of the Executive Board in detail with the aid of written and oral reports, and offered regular advisory support. Again five scheduled meetings took place in which the company's strategic and operating development and its business segments were discussed, as well as numerous issues of topical relevance.

In addition to the meetings of the Supervisory Board, there were also numerous working discussions between the Chairman of the Supervisory Board and the Executive Board, in particular with its Chairman, to facilitate effective flow of information and exchange of opinions between the Supervisory Board and the Executive Board.

Important issues

The Supervisory Board was kept informed regularly, promptly and comprehensively of business developments and the profitability and situation of the company. Some of the major reporting areas were the company's acquisition policy, budget monitoring and corporate planning. All significant acquisition, cooperation and divestment projects as well as the development of the Group's risk management and the work of the Group's internal auditing were discussed in detail. Other advisory issues included the Group's revenue and profit development and that of major subsidiaries, financial planning and capital expenditures as well as the reports from various countries in the respective international regions. Those to be mentioned especially are Southeast Asia, Africa, the Near and Middle East and the Indian subcontinent.

The Supervisory Board also received comprehensive information about medium term planning for earnings, balance, cash flow and investment as well as the strategic orientation of the FUCHS PETROLUB Group. The Supervisory Board welcomed the further reduction in debt with the simultaneous strengthening of the balance sheet situation and increase in market capitalization.

1937 1970 1993

The FUCHS logo
in the course of time

With the aid of comprehensive written and oral reports, the Supervisory Board was in a position to determine that the Executive Board properly conducted the company's business and took the required measures timely.

In 2005 the Supervisory Board also examined the efficiency of its own activities. In particular the Supervisory Board has recognized that it has a sufficient number of independent members.

Corporate governance report and declaration of compliance

The amendments made to the German Corporate Governance Code in 2005 and the declaration of compliance again included in this report and set out on page 16 were discussed by the Executive Board and the Supervisory Board and subsequently passed by the Supervisory Board in accordance with section 161 of the German Stock Corporation Law. The complete text of the declaration of compliance is accessible at all times to the shareholders on the company website.

Human Resources Committee

The Human Resources Committee of the Supervisory Board considered directors' remuneration and other personnel matters relating to the members of the Executive Board and especially the development of management.

Annual and consolidated financial statements

Following the appointment of the auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, by the Annual Shareholders' Meeting on May 24, 2005, the Supervisory Board commissioned this company to conduct the independent audit. The external auditors submitted a declaration of independence to the Supervisory Board.

The annual financial statements of FUCHS PETROLUB AG, Mannheim, the company management report, the consolidated financial statements and the Group management report were audited by KPMG, as defined and authorized by the Supervisory Board and were certified without qualification. Specific issues defined by the Supervisory Board upon the appointment of the auditors were examined in detail by KPMG. In particular the company's auditor confirmed that the Executive Board had installed a suitable information and monitoring system in accordance with section 91 paragraph 2 of the German Stock Corporation Law which is appropriate for identifying at an early stage any developments which might endanger the continuing existence of the company. The Supervisory Board conducted its own thorough examination of the annual and consolidated financial statements, the company and the Group management reports and the proposal on appropriation of profits. The audit reports of KPMG were submitted to all members of the Supervisory Board and were discussed comprehensively at the meeting on March 31, 2006. The external auditors participated in these consultations. The Supervisory Board took note of and approved the auditors' final report and expressed no objections. The Supervisory Board also approved the annual financial statements, which are thus adopted, and consents to the proposal of the Executive Board on the appropriation of profits.

1981

50-year company anniversary

The Executive Board reported on its relationship to associated companies pursuant to section 312 of the German Stock Corporation Act and submitted this report to the Supervisory Board. The external auditors examined this report and submitted in writing the results of this examination and issued the following audit opinion:
"We have audited in accordance with our professional duties and confirm that
1. the actual statements made in the report are correct and,
2. in connection with the legal transactions listed in the report, the payments or other contributions made by the company were not unreasonably high, or the disadvantages have been outweighed."

The Supervisory Board took note of and approved the results of the audit performed by the independent auditors.

In keeping with its own findings, the Supervisory Board has no objections to the statement made by the Executive Board which appears at the end of the report.

Members of the Supervisory Board and Executive Board

The existing shareholder representatives Prof. Dr. Jürgen Strube, Dr. Manfred Fuchs, Prof. Dr. Bernd Gottschalk and Prof. Dr. Dr. h. c. mult. Otto H. Jacobs were elected to the Supervisory Board for a further five years at the Annual Shareholders' Meeting on May 24, 2005. Previously the required election of Hans-Joachim Fenzke and Heinz Thoma as staff representatives had been held. There have thus been no changes to the membership of the Supervisory Board.

On the Executive Board Dr. Georg Lingg, until then a deputizing member of the Executive Board, was made a full member with effect from January 1, 2006.

The Supervisory Board hereby expresses its thanks and appreciation to the members of the Executive Board, the members of the Labor Council and all of the employees of the FUCHS PETROLUB Group for their success during 2005 in very difficult economic conditions.

Mannheim, March 2006

The Supervisory Board

Prof. Dr. Jürgen Strube
Chairman of the Supervisory Board

ORGANIZATION | CORPORATE BOARDS

Supervisory Board

Prof. Dr. Jürgen Strube Mannheim	Chairman Chairman of the Executive Board of BASF Aktiengesellschaft
Dr. Manfred Fuchs Mannheim	Deputy Chairman Former Chairman of the Executive Board of FUCHS PETROLUB AG
Hans-Joachim Fenzke[1] Mannheim	Industry chemical technician FUCHS EUROPE SCHMIERSTOFFE GMBH
Prof. Dr. Bernd Gottschalk Esslingen	President of the German Association of the Automotive Industry (VDA)
Prof. Dr. Dr. h. c. mult. Otto H. Jacobs Heddesheim	Professor of Business Administration, Fiduciary Management Tax Law at the University of Mannheim
Heinz Thoma[1] Mannheim	Industrial clerk FUCHS EUROPE SCHMIERSTOFFE GMBH

Executive Board

Stefan R. Fuchs Hirschberg	Chairman
Dr. Alexander Selent Limburgerhof	Deputy Chairman
L. Frank Kleinman Chicago, USA	Member
Dr. Georg Lingg Mannheim	Member (until December 31, 2005 deputy board member)

Advisory Board

Dr. Manfred Fuchs Mannheim	Chairman Former Chairman of the Executive Board of FUCHS PETROLUB AG
Siraj Alhamrani Jeddah, Saudi-Arabia	Chief Operating Officer of the Alhamrani Group
Jürgen Fitschen Frankfurt	Member of the Group Executive Committee of Deutsche Bank AG
Dr. Josef Krapf Munich	Member of the Executive Board, BayWa AG
Franz K. von Meyenburg Herrliberg, Switzerland	Partner at the bank, Sarasin & Cie. AG
Dr. Uwe Schroeder-Wildberg Heidelberg	Chairman of the Executive Board of MLP AG (since January 1, 2006)
Dr. Hanns-Helge Stechl Mannheim	Former Deputy Chairman of the Executive Board of BASF AG (until December 31, 2005)
Dr. Eckart Sünner Ludwigshafen	President Law, Taxation and Insurance at BASF Aktiengesellschaft (since January 1, 2006)

1 Employee representative

ORGANIZATION | BOARD RESPONSIBILITIES, REGIONS AND DIVISIONS

Stefan R. Fuchs

Chairman of the Executive Board

Corporate Development –
Coordination and Public Relations –
Senior Management –
Marketing Automotive Lubricants –

Dr. Alexander Selent

Deputy Chairman of the Executive Board

Finance, Controlling –
Legal, Human Resources –
IT, Internal Auditing –

L. Frank Kleinman

Member of the Executive Board

Region North and South America –
International Mining Division –
LIPPERT-UNIPOL –

Dr. Georg Lingg

Member of the Executive Board

Technology and Supply Chain Management –
Marketing Industrial Lubricants –
International Product Management for Industrial and Automotive Lubricants –

1939

Plant inauguration at Friesenheimer Straße in Mannheim

Dr. Lutz Lindemann

Member of the Group's Executive Committee
– Region Germany, Scandinavia, Central and Eastern Europe

Dr. Ralph Rheinboldt

Member of the Group's Executive Committee
– Region Western and Southern Europe

Alf Untersteller

Member of the Group's Executive Committee
– Region Turkey, Middle East, Central Asia, Indian Subcontinent, Africa

Frans J. de Manielle

Member of the Group's Executive Committee
– Region Southeast Asia, Australia and New Zealand

Klaus Hartig

Member of the Group's Executive Committee
– Region East Asia

Reiner Schmidt

Member of the Group's Executive Committee
– Finance and Controlling

Bernhard Biehl

Member of the Group's Executive Committee
(since January 1, 2006)
– FUCHS LUBRITECH Group

CORPORATE GOVERNANCE REPORT

The German Corporate Governance Code contains important legal regulations for the management and monitoring of listed German companies (company management) and internationally and nationally recognized standards for good, responsible company management. The code is intended to make the German corporate governance system transparent and comprehensible. It is also intended to promote confidence among international and national investors, customers, employees and the public in the management and supervision of German listed stock corporations.

Corporate Governance principles of FUCHS PETROLUB AG

For FUCHS PETROLUB AG effective Corporate Governance is an important part of the way in which the company regards itself. With our Corporate Governance we are ensuring that we have management that is responsible and oriented to creating added value and control of the company. The main principles are the German Stock Corporation Law and the German Corporate Governance Code which was enacted in 2002 and extended in May 2003 and June 2005.

The Executive Board, the Supervisory Board and the employees of FUCHS PETROLUB AG and its associated companies are bound by the German Corporate Governance Code.

Deviations from the German Corporate Governance Code are documented in the legally required declaration of compliance in accordance with section 161 of the German Stock Corporation Law. This declaration is published here and on the internet.

Further information on the Corporate Governance report is contained in the appendix to the Annual Report on page 108.

Declaration of compliance

FUCHS PETROLUB AG complied with the regulations of the "German Government Commission on the Corporate Governance Code" in the version applicable since July 20, 2005 – with the deviations disclosed in the declaration of compliance of December 13, 2004. We will comply with this version of the Code with the following exceptions:

- Section 3.8

No suitable deductible is agreed upon in connection with the D&O (directors' and officers' liability insurance) policy for the Executive Board and the Supervisory Board of FUCHS PETROLUB AG. The Executive Board and the Supervisory Board of FUCHS PETROLUB AG are fully convinced of the motivation and responsibility with which they carry out their duties and do not believe that this needs to be made even clearer by means of a deductible.

- Section 4.2.4

FUCHS PETROLUB AG reports the compensation of the members of the Executive Board in the notes to the consolidated financial statements, subdivided according to fixed and performance-related components. No individualized details of compensation are given, as the Executive Board and the Supervisory Board of FUCHS PETROLUB AG are convinced

2002

Supplier Performance Award by ThyssenKrupp Bilstein

2003

Awarded "Top 10 Supplier" by DaimlerChrysler

that the value of such information for the shareholders does not meet the Executive Board's overall responsibility and bears no relation to the infringement of the Executive Board members' personal rights and privacy that would be caused by stating such details.

- Section 5.3.2

The Supervisory Board of FUCHS PETROLUB AG is relatively small; it consists of six members. For this reason, no separate audit committee is necessary. The entire Supervisory Board of FUCHS PETROLUB AG deals intensively with questions of accounting and risk management, the necessary independence of the external auditors, the appointment of external auditors to carry out the statutory audit, the determination of the main areas of the audit and the audit fee. Furthermore, the external auditors also attend the meeting of the Supervisory Board at which the financial statements are dealt with.

- Section 5.4.7

FUCHS PETROLUB AG reports the compensation of the members of the Supervisory Board in the notes to the consolidated financial statements, subdivided according to fixed and performance related components. No individualized details of compensation are given, as the Executive Board and the Supervisory Board of FUCHS PETROLUB AG are convinced that the value of such information for the shareholders bears no relation to the infringement of the Supervisory Board members' personal rights and privacy that would be caused by stating such details.

- Section 6.6

FUCHS PETROLUB AG publishes its notifiable share dealings and related company financial instruments in accordance with section 15a of the Securities Trading Act on its internet site. There is therefore no additional information in the Corporate Governance report.

- • Section 7.1.4

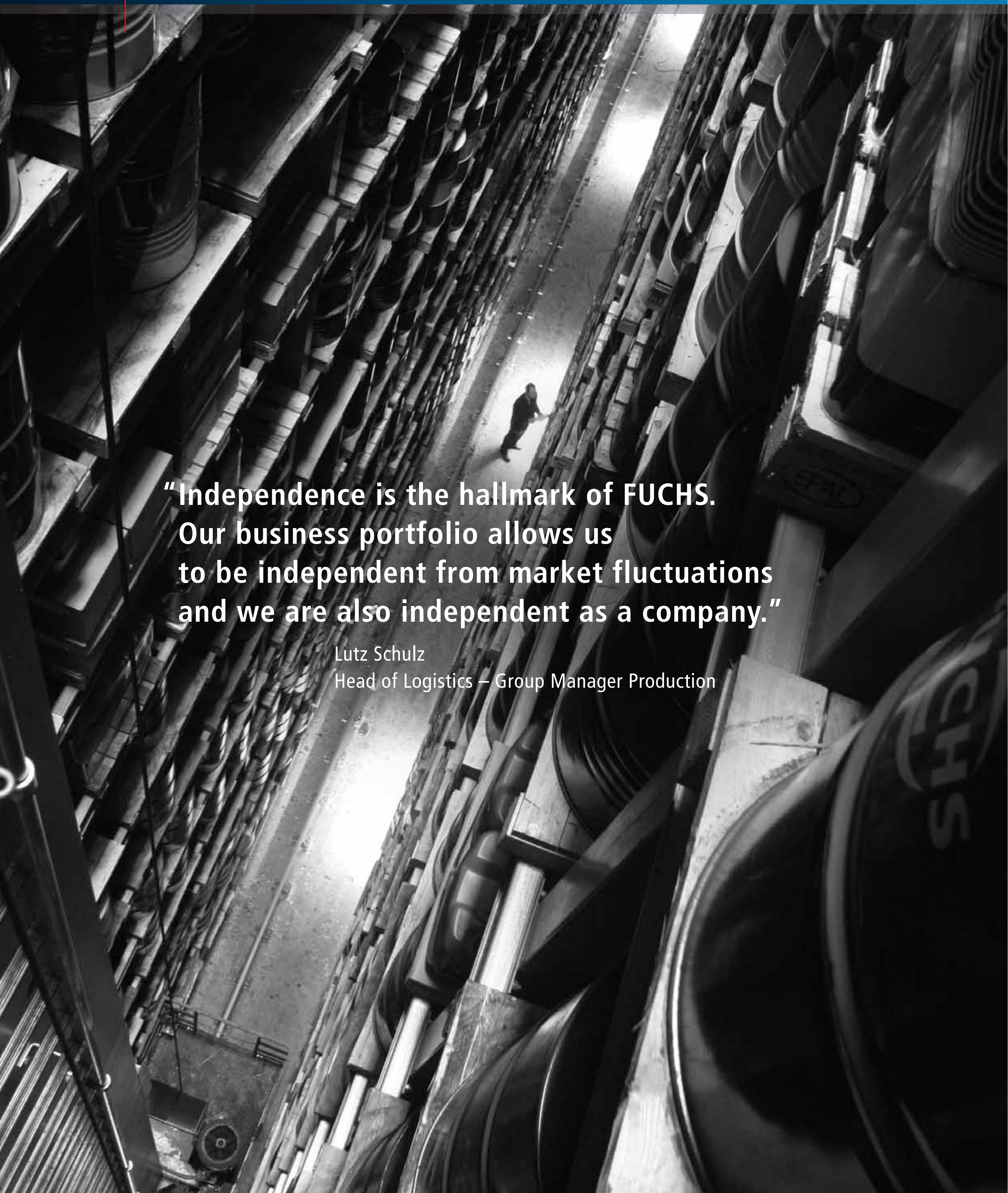
FUCHS PETROLUB AG publishes a list of its major subsidiaries. This list shows the names and headquarters of the companies, the amount of each company's equity, our share in its equity and the sales revenues. No details are given of the subsidiaries' earnings for the previous financial year for reasons of competition. However, the companies' annual financial statements are filed with the Company Register and are laid out for inspection at the annual shareholders' meeting. Moreover, on request, details of individual companies' earnings may be stated at the annual shareholders' meeting.

Mannheim, December 14, 2005

Prof. Dr. Jürgen Strube
Chairman of the Supervisory Board
FUCHS PETROLUB AG

Stefan R. Fuchs
Chairman of the Executive Board
FUCHS PETROLUB AG

INDEPENDENCE – FUCHS PETROLUB AG is by far the largest independent lubricant manufacturer worldwide, and, compared to the large oil companies, the global specialist in the world of lubricants. Focused on that role and due to its innovative power, the Group has achieved a unique position in the world market.



"Independence is the hallmark of FUCHS. Our business portfolio allows us to be independent from market fluctuations and we are also independent as a company."

Lutz Schulz
Head of Logistics – Group Manager Production

FUCHS SHARES

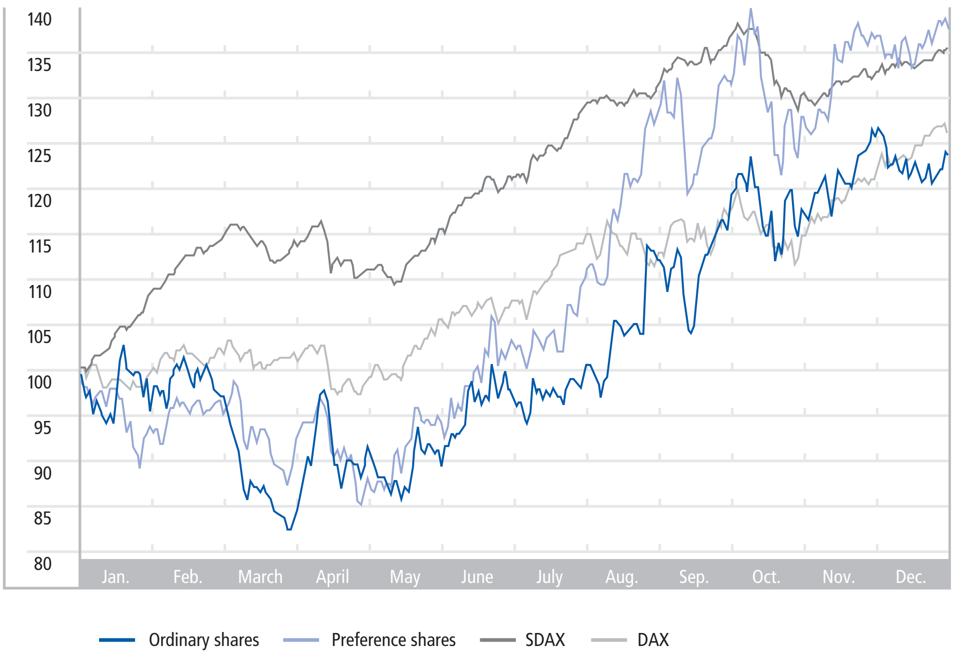
The generally favorable stock market environment in 2005 led to a continuous rise and new peak values for the ordinary and preference shares. The preference share quoted on the SDAX was the third best performing share in this market sector for the reported year. At the final quoted prices for 2005 the value of FUCHS shares has risen five-fold since 2001.

For the fifth successive year: new record levels

Taking into account the share split – again in the ratio of 1:3 – which took place on June 23, 2005 and in which each shareholder received three shares with a notional share of the capital stock of €3 for each old share with a nominal value of €9 the ordinary share started at the beginning of 2005 with a quoted value of €28.74 and the preference share with €28.05. The preference share reached its peak value for the year on the October 10, 2005 at €36.80. The ordinary share followed on the December 1, 2005 with a peak value for the year of €35.82. For the fifth year in succession since 2001, both categories of shares showed double digit price increases at year end. With a final price of €34.97 the price of the ordinary share rose by 22.3 % in the past year and the preference share with a closing price of €36.20 rose by 37.2 %. In comparison the SDAX showed an increase of 35.2 %.

The prices for both types of share continued to rise to the end of February 2006. With a rise in value to €37.00 the ordinary share showed a rise in comparison with the end of 2005 of 5.8 % and the preference share with a rise to €38.33 of 5.9 %.

Development of FUCHS PETROLUB share prices in comparison with the index, from January 1 – December 31, 2005
[in %]



Stock exchange and daily trading volumes remain high

Trading volumes ran in parallel with the rise in share prices. With an increase from €215.7 million in 2004 to €438.7 million in the reported year this sum has more than doubled. The average daily trading volumes of ordinary shares rose from €210 thousand to €518 thousand in 2005, while preference share volumes increased from €627 thousand to €1.2 million. Market capitalization reached a new peak value of €839.1 million on December 31, 2005, of which €426.8 was accounted for by preference shares.

Pleasing wide-ranging research

The attractiveness of FUCHS shares was reflected in the continued interest of German and foreign investors and the resultant research activities by numerous analysts. Ten banks undertook thorough research into our company: Bankhaus Lampe, the Berenberg Bank, Crédit Agricole–Cheuvreux, Dresdner Kleinwort Wasserstein, DZ Bank, Landesbank Baden-Württemberg, Merck Finck & Co., M.M. Warburg & Co., Sal. Oppenheim and the Westdeutsche Landesbank.

Intensive communication with institutional and private investors

The interest in FUCHS shares which continued to grow in 2005 led to intensive financial information. We responded to the high level of interest for information from investors by organizing or participating in nine financial market conferences, eight road shows and 127 individual discussions with institutional investors, fund managers and financial analysts in Germany and abroad. With regard to communication with private investors we have held the Annual Shareholders' Meeting in Mannheim with some 1000 shareholders, the information event for investors in Zurich with about 100 participants and the third Mannheim Capital Market Forum with some 400 participants. Prior to the Annual Shareholders' Meeting we sent information in the form of the full Annual Report for 2004 to over 9,000 shareholders with the Annual Report and Quarterly Reports also being sent to 5,500 interested parties. In addition there were over 4,000 requests from within Europe alone in response to an international notice of the Annual Report. Finally the internet played an extremely important part within our general communication strategy with 275,000 visitors in 2005 (2004: 210,000 visitors).

1939

Old
office building

1989

New
office building

FUCHS preference shares in the SDAX of the Prime Standard category

The FUCHS shares are listed for official trading at the Frankfurt Stock Exchange and the Stuttgart Stock Exchange in Germany, as well as the Swiss Stock Exchange in Zurich. They are also included in the Xetra electronic trading system. At the end of 2005, the following three securities of the FUCHS PETROLUB Group were in circulation:

FUCHS securities

Share type	Security ident. No.	Stock exchange
Ordinary shares	579040	Frankfurt/Main, Stuttgart, Zürich
Preference shares	579043	Frankfurt/Main, Stuttgart, Zürich
7.29% participation-right certificates	551831	Frankfurt/Main

The preference shares of FUCHS PETROLUB AG have been included in the Prime Standard category of the German stock exchange since January 1, 2003. The preference shares, which are 100 % free float shares, are part of the SDAX segment, which comprises 50 shares.

Great interest in employee shares

Once again in 2005, the employees and pensioners of the FUCHS companies in Germany were offered the opportunity to purchase employee shares of FUCHS PETROLUB at an advantageous price. At a reduced purchase price of €27.10 each employee could purchase a maximum of 25 (voting) preference shares. 461 employees took advantage of this offer.

Earnings per share

Of the net profit of €74.2 million (40.1), €1.0 million (1.1) relates to third parties. Earnings after minority interests amount to €73.2 million (39.0). After deducting the special effects for 2005 resulting from the sale of land not required for operating purposes of €6.4 million, earnings per ordinary share amounted to €2.80 (1.99) and per preference share to €2.86 (2.05). Prior-year figures are adjusted to account for goodwill amortization of €8.6 million.

Key figures for the FUCHS PETROLUB shares

To enable better comparison, the prior-year figures were converted to the values which result from the share split of June 2005 (share split 1:3).

Key figures for the FUCHS PETROLUB shares

	2005		2004	
	Ordinary	Preference	Ordinary	Preference
Number of shares of €3 per value	11,790,000	11,790,000	11,790,000	11,790,000
Average number of shares	11,790,000	11,790,000	11,790,000	11,790,000
Dividend [€]	0.61[1]	0.67[1]	0.55	0.61
Anniversary bonus	0.10[1]	0.10[1]	–	–
Dividend yield [%][2]	2.4	2.7	2.6	3.0
Earnings per share [€][3]	2.80	2.86	1.99	2.05
Cash earnings per share [€][4]	4.27	4.27	3.46	3.46
Book value per share [€][5]	9.81	9.81	6.61	6.61
Closing price [€][6]	34.97	36.20	28.60	26.38
Highest price [€][6]	35.82	36.80	30.67	28.00
Lowest price [€][6]	23.33	22.49	16.07	15.00
Average price [€][6]	29.19	28.88	21.20	20.22
Average daily turnover [T€]	518	1,189	191	572
Market capitalization [€ million][7]	839.1		648.2	
Price-to-earnings ratio[8]	10.4	10.1	10.6	9.9

1 Proposal to the Annual Shareholders' Meeting.
2 Dividend for the year including the anniversary bonus related to the average price for the year.
3 Net profit after minority interests and cleared of special effects related to the average number of dividend-entitled shares.
4 Related to the average number of shares.
5 Shareholders' equity related to the number of shares.
6 Extra prices.
7 Stock exchange values at end of year.
8 Average prices related to earnings per share (both years cleared of special effects).

Anniversary bonus and free shares on the 75th company anniversary of FUCHS

Executive Board and Supervisory Board propose that the dividend be increased by €0.06 per share in comparison with the previous year to **€0.61 (0.55) per ordinary share** and to **€0.67 (0.61) per preference share** and for each ordinary and preference share to pay an **anniversary bonus of €0.10**.

The anniversary bonus is to celebrate the company's 75 years existence.

With the approval of the Annual Shareholders' Meeting the total dividend for ordinary shares will rise by 29 % and for preference shares by 26 %. The total dividends amount to €17.4 million (13.7).

As a further measure, it is proposed for the anniversary year to issue one free share for every 10 shares. The free shares would rank for dividend as from January 1, 2006.

1950

PENNA PURA
Brand advertisement
in the style
of the fifties

2000

Modern engine oil
container design for
TITAN GT1

Participation-right certificates

The FUCHS PETROLUB participation-right certificates issued at par in 1998 to be redeemed in August 2008 in a nominal amount of €51.1 million closed on December 30, 2005 at a price of 113.9 % (115.3 %). They feature a dividend rate of 7.29 % per annum. The 52-week high was 121.75 %, the low was 113.90 %. The price includes the interest accrued up to August 1 of the following year and reflects the historically low level of interest on the capital markets.

Change in ownership of voting rights

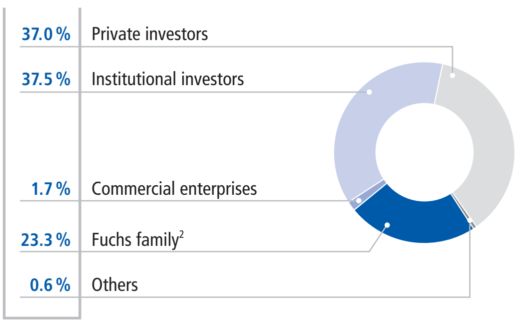
Bestinver Gestión, S.G.I.I.C, Madrid/Spain, has notified us in accordance with section 21 paragraph 1 of the Securities Trading Act that they passed the 5 % threshold of voting rights in FUCHS PETROLUB AG on the April 22, 2005. They now hold 5.043 % of the voting rights which are to be assigned to them in accordance with section 22 paragraph 1, sentence 1 number 6.

We received no further notifications of shareholdings subject to disclosure during the reporting period.

Comparable shares of equity owned by institutional and private investors

Based on our shareholder survey carried out at the beginning of 2004 our ordinary and preference shares were held by 9,230 different shareholders in Germany and abroad. This total comprises 8,841 private investors, 176 institutional investors, 177 commercial enterprises and 36 other shareholders. Since the previous shareholder survey in 2002, there has been a particularly strong increase of 14.4 % in the number of private shareholders – from 7,726 to 8,841. The proportion of capital stock held by private shareholders decreased from 39.1 % to 37.0 %, while the proportion of stock held by institutional shareholders has risen from 30.2 % in 2002 to 37.5 %

Shareholder survey – breakdown of capital stock[1]



1 January 31, 2004: 7,489,408 shares (95 % of total capital stock).

2 Including 46.3 % of the ordinary voting shares.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

FUCHS is focused on the development, manufacture and and marketing and sales of lubricants and related specialties. The company is the technological leader in strategically important niches and high-quality business segments. Unlike the vertically integrated major oil companies, which market large quantities of standardized products, FUCHS consistently pursues a niche strategy.

With its flat structures FUCHS is able to service customer segments in an individual way and to inspire them with customized solutions. The niche markets are often too small to interest major oil companies.

A high level of innovation is the most important success factor. An eighth of all employees work in Research and Development. FUCHS conducts application development directly on the customers' premises adapting the lubricants to their processes. Moreover in joint projects new lubricants are developed together with new machines and units. In short: FUCHS is the technological leader in many segments.

The second important success factor is marketing and sales: 70 % of our sales revenues comes from direct sales, i. e. close to our customers. The relationships with customers, which have been cultivated over many years, enables FUCHS to identify the user's requirements quickly so that the appropriate services can be offered. The advantage for customers is that they are given advice on specific detailed questions by industry experts.

The company manufactures approximately 10,000 products which it sells to more than 100,000 customers. The broad product range covers a customer's entire lubricant requirements, and enables supply and support to come from a single source.

Employee motivation is likewise important for the success of the company. Target agreements which are orientated around the success of the company are a suitable instrument for this. For this reason, we introduced the FUCHS Value Added program which on the one hand takes into consideration the earnings and on the other hand the capital employed. The implementation of the corresponding target agreements indicates measurable positive effects on the operating business.

With thus business model, FUCHS pursues a profit-orientated growth strategy with the following long-term strategic objectives:

- to be the largest independent manufacturer of lubricants and related specialties in the world
- to achieve value-orientated growth by leadership in innovation and specialization
- to achieve organic growth in developing markets and external growth in mature markets
- to create shareholder value, i.e. to create value beyond capital costs.

ENVIRONMENTAL PROTECTION – For the last three decades, environment, sustainability and protection of valuable resources have been an essential part of our corporate philosophy and become important aspects of product research. FUCHS is the leader in the market for rapidly biodegradable high-performance lubricants.

"I also deal with biodegradable lubricants after work. At FUCHS, we produce them, at home on our farm, I test them."

Simone Binder
Assistant Strategic Marketing
Central and Eastern Europe, Scandinavia

MACROECONOMIC AND SECTORAL DEVELOPMENTS

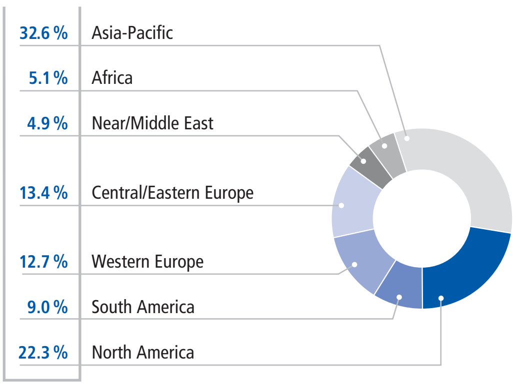
In 2005, the global economy continued to grow strongly, despite the sharp increase in the price of crude oil. This led to an upward global economic trend. The Kiel Institute for World Economics (IfW) anticipates a global increase of 4.4 % to the gross domestic product (GDP). In 2005, the growth in China is predicted to be approximately 10 %. The growth for the USA and Japan is anticipated to be approximately 3.6 % and 2.8 % respectively. According to the economists, the GDP in Europe only increased slightly and the upward trend in Germany is forecast to be moderate. The domestic upturn, however, is said to have been more pronounced than was recently expected.

The global sales of machine tools remained at a high level. In the meantime, the most recent medium-term forecast from the German Machine Tool Builders' Association (VDW) and the Ifo German Institute for Economic Research considers an increase in global sales of 12 % to be possible for 2005. In this sector, Asia and the USA continue to be the regions with the most extensive growth. In 2005, industrial output in Germany increased by 3.3 % and therefore grew considerably more strongly than the GDP. Among the front-runners in the growth rate hierarchy are the chemicals industry, which expanded its production by just under 7 % as well as the automotive industry and mechanical engineering that have realized growth of approximately 4% each, which is well above average.

Increased global demand for lubricants

The global demand for lubricants benefited due to these positive general global conditions and increased in 2005 by approximately 1 % to 36.5 million tons (excluding marine oils). The demand trends once again varied dramatically for the different regions due to the fact that the consumption in the major markets in Western Europe and North America declined whereas the consumption in the developing and emerging markets in Asia and Latin America – particularly in China and Brazil – increased still further. Considering the global lubricants market with a regional perspective, reveals the region of Asia-Pacific/Africa to be in first place with a share of 42.6 %, followed by North and South America with 31.3 % and the whole of Europe with 26.1 %. The German lubricants market benefited from the upward trend in a similar way to the chemical industry. There was market growth as well in the industrial as in the automotive lubricants segment.

Regional breakdown of the global demand for lubricants in 2005
[domestic consumption]



PERFORMANCE | SALES REVENUES

A clear increase in sales revenues

The FUCHS business was able to profit from the positive macroeconomic and sectoral developments. Adjusted for consolidation and currency translation effects Group sales revenues clearly increased again by 6.9 % (6.7) in comparison with the previous year. When currency translation effects and the OVOLINE consolidation are taken into account, the sales revenues actually increased by 8.7 % (5.3) to €1,192.2 million (1,096.3).

Growth factors

	€ million	%
Internal growth	75.5	6.9
External growth	11.7	1.0
Currency translation effects	8.7	0.8
Net effect on sales revenues	**95.9**	**8.7**

Regional development of sales revenues by the location of the various companies of the Group [€ million]

	2005	2004	Internal growth	External growth	Currency effects	Change absolute	Change in %
Europe	781.0	727.5	39.1	11.7	2.7	53.5	7.4
North and South America	224.2	200.0	21.2	0.0	3.0	24.2	12.1
Asia-Pacific, Africa	207.6	192.3	12.3	0.0	3.0	15.3	8.0
Consolidation	−20.6	−23.5	2.9	0.0	0.0	2.9	
Total	**1,192.2**	**1,096.3**	**75.5**	**11.7**	**8.7**	**95.9**	**8.7**

Strong internal growth

The Group was able to considerably increase its sales revenues adjusted for acquisitions and currency translation effects in all regions. The internal growth was above all driven by sales price increases and improvements in the product mix. The prices of base oils, additives and packaging material once again rose considerably in 2005, particularly in the fourth quarter. We were able to successfully counteract this trend by means of our specialization and focusing strategy. In doing so, the FUCHS PETROLUB Group was able to secure its position in the global lubricants market, which grew only by about 1 %.

The development of sales revenues of our North and South American subsidiaries which generated regional internal growth amounting to 10.6 % (€21.2 million) is remarkable. Also the European subsidiaries, in particular those in Poland and Germany, achieved substantial internal growth in sales revenues. The growth rate in this region amounted to 5.4 % or €39.1 million. In the Asia/Pacific, Africa region, internal growth at €12.3 million or 6.4 % developed more moderately as a result of the discontinuation of low-margin business.

Slight external growth

The external growth in sales revenues of €11.7 million or 1.0 % was essentially due to the OVOLINE acquisition, which happened with effect from January 1, 2005 FUCHS LUBRICANTS (UK) in Great Britain.

The euro loses ground

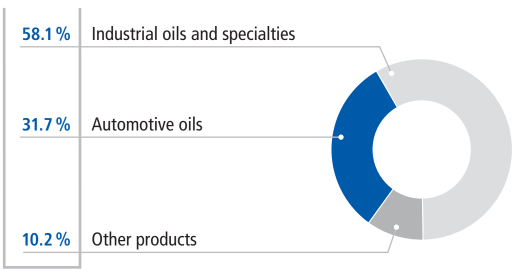
As the year progressed the euro became weaker. However the currency translation effects on the annual average were limited. The conversion of the sales revenues generated by the foreign subsidiaries in the respective local currencies into euros results in positive currency differences of €8.7 million or 0.8 % in total. In particular, it was the converted sales revenues of the subsidiaries in Brazil, Australia and in the Central and Eastern European countries which profited from the weakening of the euro.

Sales revenues by product segments

In the segment report the geographic segments reflecting the Group's organizational structure are the primary reporting format. The secondary reporting format is the representation of the products segments of automotive lubricants, industrial lubricants and specialties, and other products.

The product segment automotive oils, includes engine, transmission and shock absorber oils. Sales revenues in this segment were 10.9 % above the previous year at €377.6 million (340.5). The segment share of Group sales revenues increased to 31.7 % (31.1).

Breakdown of Group sales revenues



CUSTOMER ORIENTATION – The FUCHS business model is characterized by direct contact with customers and markets. In close partnerships, FUCHS produces a product range assortment of more than 10,000 often custom-made lubricants for more than 100,000 customers in all market segments worldwide.

"Close partnership is of utmost importance in our company. We, the sales force, make sure that won't change."

Arndt Bausewein
Manager Region South – Industrial Lubricants Division

Office work in
the early forties

The product segment industrial oils and specialties above all includes metal working liquids, corrosion preventatives, hydraulic and industrial transmission oils as well as greases and other specialties. With €692.9 million (635.4) or 58.1 % (58.0), this business segment still constitutes the largest area of the Group's sales revenues and increased by 9.0 % in comparison with the previous year.

Consequently, both of these areas, which include the core business of the FUCHS PETROLUB Group, recorded well above average growth in the reporting year and were able to increase their respective shares of Group sales revenues.

Polishing technology, toll processing, chemical management, base-oil trading and other activities are summarized in the sector other products. With sales revenues of € 121.7 million (120.4) this sector represents 10.2 % (10.9) Group sales revenues.

Sales revenues by product segment [€ million]

	2005	Share in %	2004	Share in %	Change absolute	Change in %
Automotive oils[1]	377.6	31.7	340.5	31.1	37.1	10.9
Industrial oils and specialties[1]	692.9	58.1	635.4	58.0	57.5	9.0
Other products	121.7	10.2	120.4	10.9	1.3	1.1
Total	**1,192.2**	**100**	**1.096.3**	**100**	**95.9**	**8.7**

1 and related products

The figures for the previous year have been marginally adjusted.

The record profit for the previous year increased to €74.2 million (40.1), which represents an increase of approximately 40 % when adjusted for special effects.

The year 2005 was yet another record year for FUCHS, thanks to our innovative products and the hard work of our employees. For the fourth successive year, the Group's net profit increased by a double digit percentage. This very pleasing and sustainable business development is the result of our strategy which is orientated towards selective growth, specialization and cost management.

There are a number of factors for this success. FUCHS profited from the global positive industrial market development with a strong increase in sales revenues (+ 8.7 %). In absolute terms, it was possible to cushion the impact of this increase in the costs of sales, and the gross profit increased by €17.1 million to €424.8 million. However, viewed relatively, the significant increase in raw material prices resulted in a reduced gross margin of 35.6 % (37.2).

Another success factor was the stringent cost management, which meant the selling and distribution, administration and R&D costs increased by only 1.7 % in total. The operating profit thus rose by 11.2 % to €119.4 million (107.4).

Finally it was possible to realize non-recurring earnings from the sale of land not required for operating purposes amounting to €7.6 million. In comparison with the previous year, no significant restructuring expenses were incurred. The cessation of scheduled goodwill amortization also had a positive affect on profit. Thus earnings before interest and taxes (EBIT) reached a record level of €128.8 million (86.2).

Increase in EBIT of 27.8 % adjusted for special effects

Adjusted for special effects from the sale of land (€7.6 million gross and €6.4 million net) as well as the cessation of scheduled goodwill amortization (€8.6 million), the EBIT increased by 27.8 % to €121.2 million (94.8).

Many success factors contribute to the excellent net profit

This good result was rounded off by declining financing costs of €15.7 million (18.8) which were mainly a consequence of lower financing liabilities. The tax rate improved, essentially due to lower taxation of sales profits. After deducting taxes, profits amounted to €74.2 million (40.1). Adjusted for special effects, profit growth was almost 40 % (€67.8 million in comparison with €48.7 million in the previous year).

All the regions contributed to this success and were able to increase both their segment earnings (EBIT) and their EBIT margin. In the Europe region the returns include the sale of land.

Earnings per ordinary and preference share amounted to €3.08 and €3.14 respectively. Adjusted for special effects, the earnings per ordinary and preference share amount to €2.80 and €2.86 (€1.99 and €2.05) respectively which represents an increase of approximately 40 % on the previous year. The prior-year figures have been adjusted for the share split in the ratio of 1:3 carried out in June 2005.

Renewed improvement in returns

Our net income to sales reached a new record return of 5.7 % (previous year 4.4) with net profit for both years being adjusted for special effects. The value-oriented company management is one of the main driving forces behind the improvement in earnings.

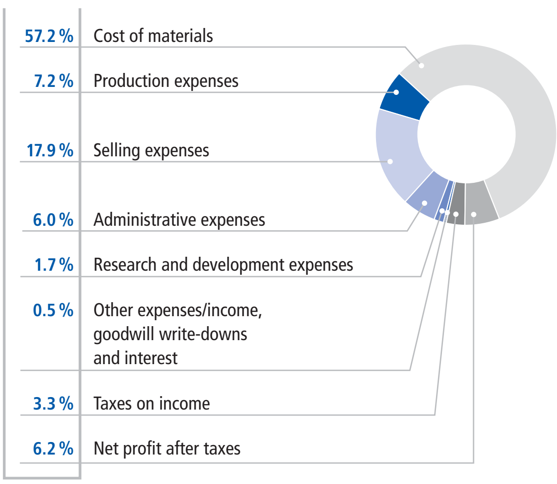
The earnings before interest and taxes (EBIT) in relation to sales revenues increased to 10.8 %. Adjusted for special effects the increase amounts to 10.2 % (8.6 % for the previous year).

The Group's return on equity (net profit after taxes related to the average shareholders' equity, based on the quarterly figures) reached 38.1 % (26.7) and return on capital employed (earnings before interest and taxes related to the average of the totals of shareholders' equity, interest-bearing liabilities, pension provisions and accumulated goodwill write-downs less liquid funds) rose to 25.8 % (19.0).

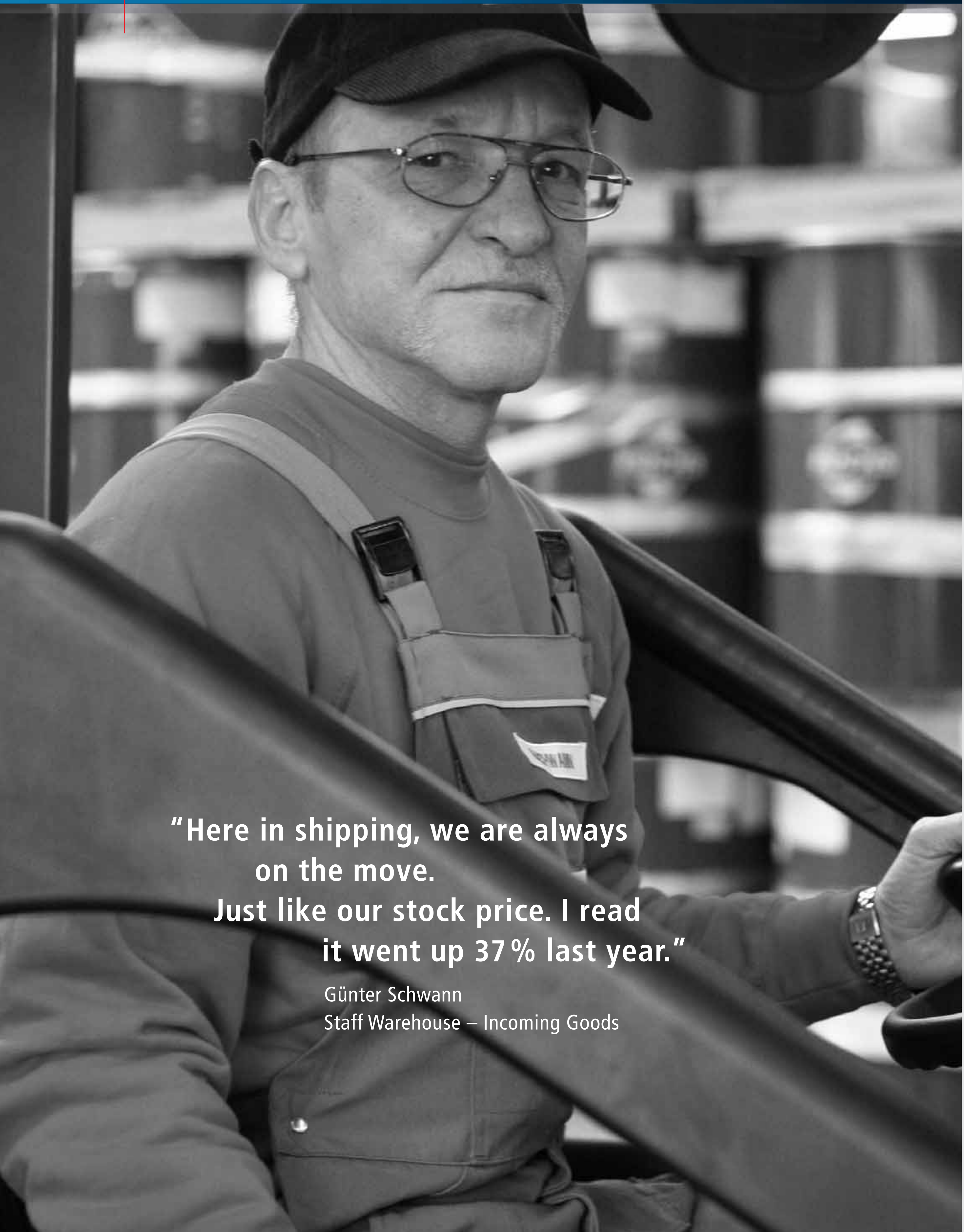
Monitoring system

The essential performance measure and control quantities for the operating business are sales revenues, earnings before interest and taxes (EBIT) and the return on capital employed (ROCE). The characteristic FUCHS VALUE ADDED (FVA) was introduced for value-oriented company management. FVA represents the earnings before interest and taxes (EBIT) less the weighted equity and borrowing costs. The capital costs for the Group amount to 11.5 % gross or 7.2 % net of tax. With €71.4 million (37.4), the Group's FVA has significantly increased in comparison with the previous year.

Structure of income statement



CORPORATE VALUES – Since the Initial Public Offering in 1985, FUCHS shares have proven to be an excellent investment. Again in 2005, FUCHS shareholders had good reason to be pleased: The value of ordinary shares increased by 22 %, and the value of preference shares by 37 %.



"Here in shipping, we are always on the move. Just like our stock price. I read it went up 37 % last year."

Günter Schwann
Staff Warehouse – Incoming Goods

Comfortable equity ratio and moderate financial debt

The substantial rise in business volume in 2005 also manifests itself in the balance sheet. Total assets increased to €691.3 million (628.6). The decline in the price of the euro against the US dollar and against other currencies had a balance sheet extending effect on almost all balance sheet items.

The increase of the long-term assets by €19.7 million to €273.7 million (254.0) is amongst other factors due to the acquisitions in Great Britain and Brazil. The intangible assets have increased to €90.0 million (82.2). Plant, property and equipment totalled €161.3 million (154.9). In contrast to the previous year, the investments in plant, property and equipment exceeded depreciation.

The deferred tax assets amount to €15.0 million (11.7). They have been based on the differences in valuation between IFRS balance sheets and tax balance sheets as well as on eliminations of inter-company profit from internal Group deliveries and on losses carried forward.

The development of the short-term assets is clearly influenced by the increased sales revenues and extensive raw material price increases. The balance sheet values of €164.4 million (138.8) for inventories and €198.6 million (175.1) for receivables indicate an accumulated increase of €49.1 million. In this respect, the average maturity of receivables, which is currently 61 days, is greater than that for the previous year (58). The increase was essentially a consequence of a base effect.

Liquid funds amounted to €26.0 million (27.6).

The Group's equity ratio at the end of the year was 33.6 % (25.4). The equity accounted for €232.6 million (159.8).

Provisions for pension obligations amounting to €54.9 million (55.5) and financial liabilities amounting to €66.5 million (110.4) are available to the Group as long-term borrowings. The sum total of equity and long-term borrowings amounted to 137 % of the long-term assets.

The long-term liabilities comprise deferred-tax liabilities, which also take into account future withholding tax on dividends within the Group amounting to €11.9 million (9.8). Other provisions constitute €7.9 million (7.5).

Among the short-term liabilities, trade liabilities dominated with €120.4 million (103.8). The increase by €16.6 million is associated with the increased raw material prices and benefited the internal financing.

1939

First
tank car

1948

Fleet on the
premises at the
Friesenheimer
Straße

Provisions at €39.8 million were at the previous year's level (42.0). The increase in tax liabilities to €31.2 million (16.5) is mainly profit-related.

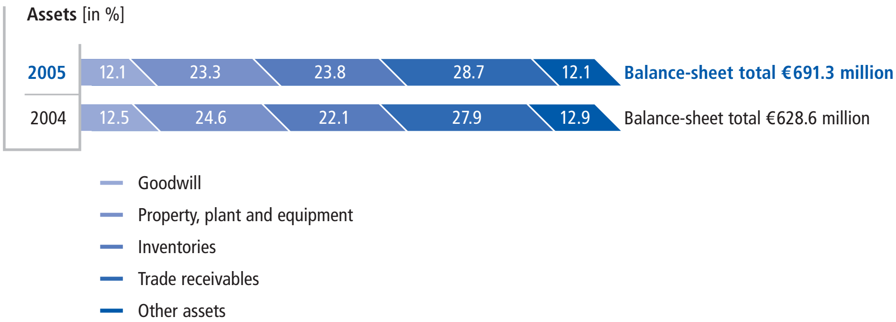
The short-term financial liabilities increased to €90.8 million (83.8) at the end of the year. However, the good cash flow for 2005 enabled short- and long-term financial liabilities to be reduced by €36.9 million in total.

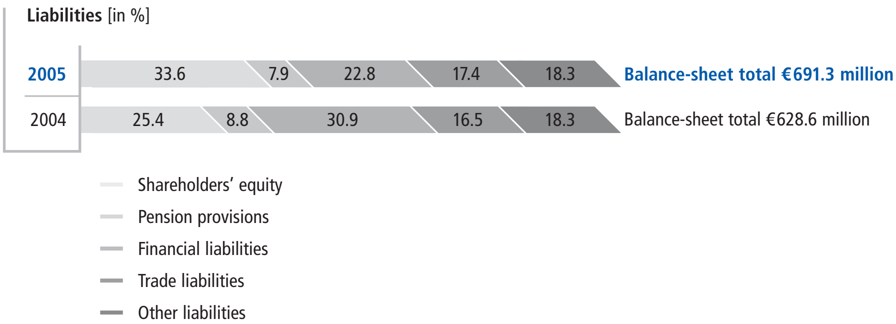
The other liabilities amounted to €34.1 million (39.1).

In 2005 net gearing, that is the relation between financial liabilities plus pension provisions, less liquid funds in relation to shareholders equity improved again considerably to reach 0.8 (1.4). Therefore the Group has a sufficiently large amount of room for maneuver when it comes to further growth.

Due to the continual improvement of profitability and financial position the FUCHS PETROLUB Group is in good financial shape. The profitability level which has been achieved with a rate of return on the capital employed amounting to 25.8 % as well as a net gearing of 0.8 reflect the earnings potential and financial stability of the Group.

Structure of assets
and capital





PERFORMANCE | STATEMENT OF CASH FLOWS

The statement of cash flows has been adjusted for currency-translation and consolidation effects in conformance with IAS 7.

The gross cash flow is an indicator of internal financing capability and is available to the company for capital expenditure, financing net current assets, dividend distributions, debt repayments, and maintaining an appropriate level of liquidity. The gross cash flow rose by 23.4 % to €100.8 million (€81.7 million) during 2005, due to the Group's highly improved profitability. The high level of profitability of the previous year was exceeded once more.

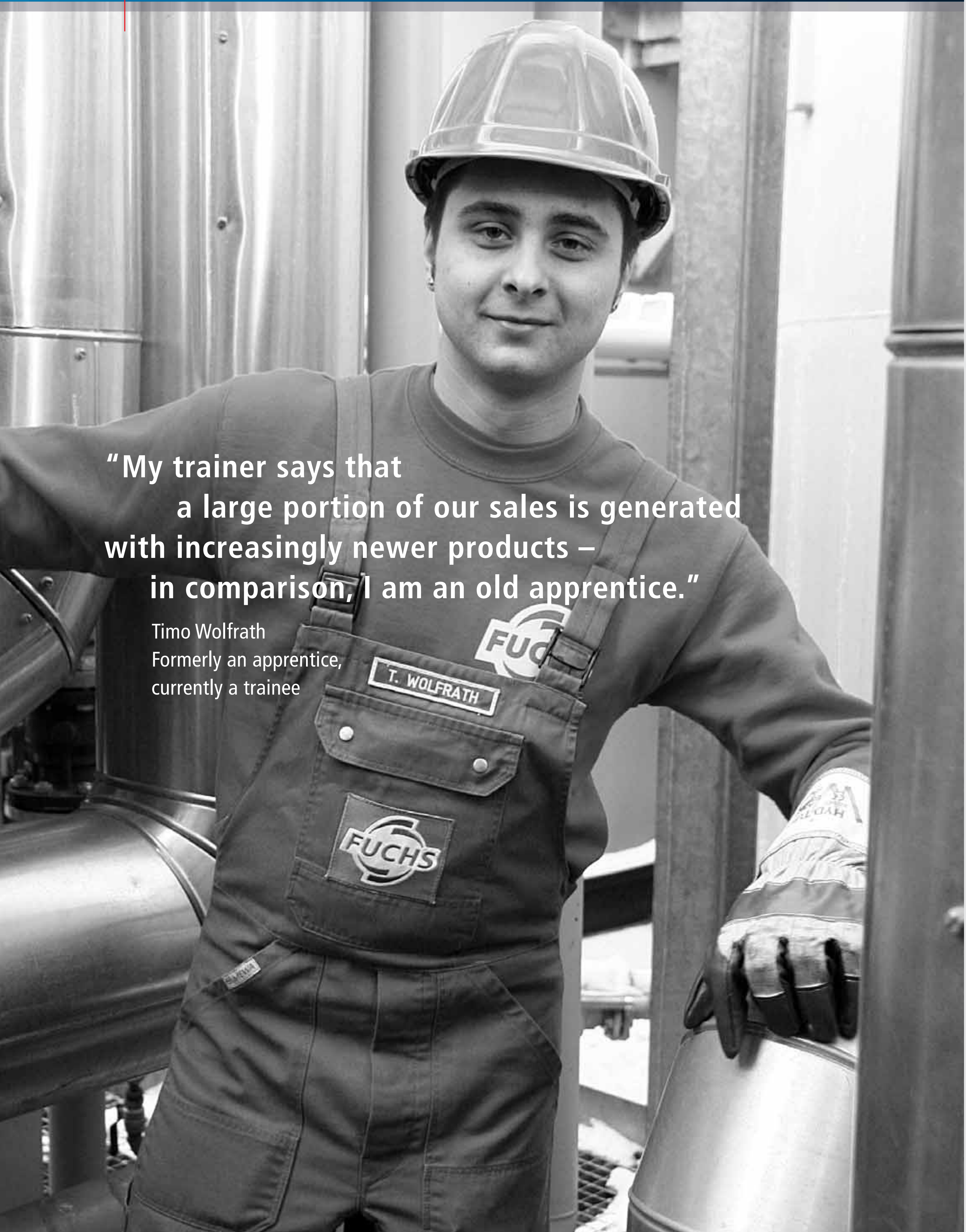
With €77.8 million, the cash inflow from operating activities is 8.1 % down on the previous year's value of €84.7 million. The growth in the volume of business and the significant price increases in the procurement markets have led to an increase in inventories and trade receivables. In addition the acquisition of the OVOLINE business in Great Britain and the switch from products made under contract in the preceding year to internal production have contributed to a further increase in the net current assets.

Capital expenditure in 2005 was around 35 % higher than in the previous year, at €30.6 million (22.6). Additional software licenses were acquired, fire protective measures were carried out, the storage capacity was increased and two manufacturing plants in Great Britain were merged and the construction of the new office building in USA was completed. Cash outflow resulting from acquisition amounted to €9.7 million (16.7). This essentially stemmed from the purchase of the OVOLINE business in Great Britain and the acquisition of minority interests in our subsidiaries in Brazil and Slovakia. At €13.4 million, proceeds from the disposal of property, plant and equipment clearly exceeded the previous year's level (5.0). This predominantly results from the sale of land and property in Great Britain and Germany which is not required for operating purposes. Cash outflow from investing activities is €26.1 million and thus is lower than the previous year's value (28.6).

The Group's internal financing power, represented by the ratio between the cash inflow from operating activities and the cash outflow from investing activities, is at a factor of 3 as in the previous year. Therefore the company could continue to generate high cash flow.

The free cash flow of €51.7 million allowed financing dividend distribution and almost the complete reduction of financial liabilities by €40.1 million. The Group's liquid funds, at €26.0 million, remained just below the previous year's level.

INNOVATION – Finding the best possible solution has always been a company creed. Our customers appreciate that FUCHS application engineers develop and test new and often customized solutions right at their production sites.



"My trainer says that a large portion of our sales is generated with increasingly newer products – in comparison, I am an old apprentice."

Timo Wolfrath
Formerly an apprentice,
currently a trainee

PERFORMANCE | CAPITAL EXPENDITURE AND INVESTMENTS IN COMPANIES

The FUCHS PETROLUB Group invested €28.8 million (22.1) in property, plant and equipment and intangible assets. Goodwill acquired from acquisitions amounted to €7.2 million (8.6).

Capital expenditure

Approximately 74 % of the capital expenditure on property, plant and equipment amounting to €24.6 million was made within Europe, as in the previous year. Approximately 33 % of the volume was spent in Germany alone and a further 14 % for a site in Great Britain. About 14 % was invested in the USA.

The focus of investment in Germany was the expansion of the grease production facilities and fire precaution. In the rest of Europe investment was predominantly made in sprinkling systems and additional storage facilities. The merger of production formerly carried out on two different sites in Great Britain was completed and the construction of the new office building in Harvey, Chicago (USA) was accomplished, too.

Investment in intangible assets was mainly in SAP software.

In the Group, investments in expansion amounted to more than 60 %, the remainder was for replacement and rationalization investments.

Depreciation and amortization

In 2005 depreciation and amortization on tangible and intangible assets amounted to €23.9 million (24.3). Impairments of goodwill amortization constituted €5.5 million (10.0).

1996

Lubricant facility
in Spain

2006

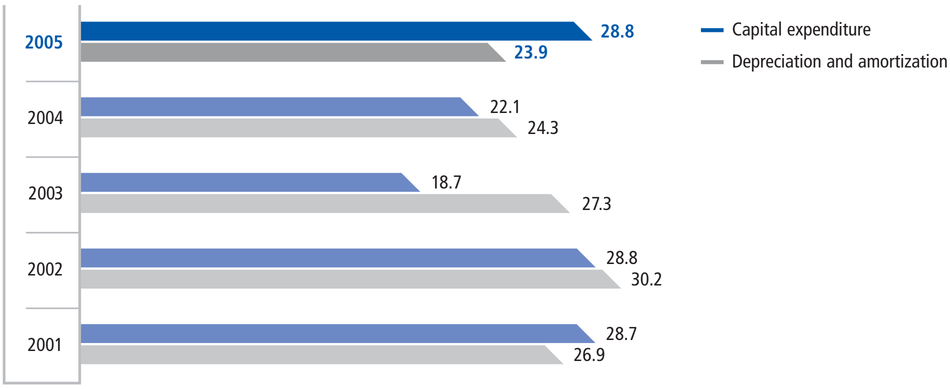
Base oil storage tanks
in Mannheim

Investments in companies

At the beginning of 2005, a business was acquired in Great Britain which had formerly been run under the OVOLINE trademark. This business was successfully integrated into the activities of FUCHS LUBRICANTS (UK) and expanded the existing automotive and industrial lubricants profile.

In addition, it was possible to take over the shares of the minority shareholders of our subsidiaries in Brazil and Slovakia. Both subsidiaries are now wholly owned subsidiaries of FUCHS PETROLUB AG.

Capital expenditure and depreciation and amortization – tangible and intangible assets (excluding goodwill) [€ million]



SEGMENT REPORT BY REGION

The segment report corresponds with the Group's internal organization and structure of reporting by geographical region.

The Asia-Pacific, Africa region is the largest lubricants market with a share of 42.6 %, a long way ahead of North and South America (31.3 %) and Europe (26.1 %). Asia is the fastest-growing market for lubricants.

The regional development of sales revenues of the FUCHS PETROLUB Group **in terms of customer's location** is as follows:

	2005	Share in %	2004	Share in %
Europe	722.6	60.6	668.4	61.0
North and South America	229.9	19.3	204.3	18.6
Asia-Pacific, Africa	239.7	20.1	223.6	20.4
Total	**1,192.2**	**100**	**1,096.3**	**100**

Calculated in terms of customer's location, Europe with 60.6 % (61.0) of Group sales revenues or €722.6 million (688.4) continues to be FUCHS' most important market. The regions North and South America with €229.9 million (204.3) and Asia with €239.7 million (223.6) account for approximately 20 % of Group sales revenues each. Whereas, ten years ago, the share of the Asia-Pacific, Africa region accounted for approximately 10 % of total sales revenues of the FUCHS PETROLUB Group, this has now increased to more than 20 %.

EUROPE

Segment information [in € million][1]	2005	2004
Sales revenues by customer's location	722.6	668.4
Sales revenues by company's location	781.0	727.5
– thereof with other segments	20.0	22.9
Scheduled depreciation	14.5	17.5
Impairment losses	4.5	2.8
Earnings from investments recognised at equity	0.0	0.0
Segment earnings (EBIT) adjusted for special effects	68.0	62.0
Segment earnings (EBIT)	75.6	60.3
Segment assets	415.3	405.4
Segment liabilities	142.3	138.5
Capital expenditure	23.8	24.8
Employees (average numbers)	2,507	2,569
Performance measure [in %]		
Ratio of EBIT to sales revenues	9.7	8.3
Ratio of EBIT, adjusted for special effects, to sales revenues	8.7	8.5

1 See pages 68 and 69.

Sales revenues by company location in Europe rose by 7.4 % to €781.0 million. The change in sales revenues is particularly based on internal growth (5.4 %), which is due to price increases as well as changes to the mix and volume. The acquisition which was carried out in Great Britain at the beginning of the year brought with it external growth of 1.6 %. The positive currency translation effects accounted for 0.4 % of the growth. The regional earnings before interest and taxes (EBIT) climbed to €75.6 million in the reporting period. Approximately half of the growth was due to non-recurring earnings from the sale of land in Great Britain and Germany amounting to a total of €7.6 million. When taking into account the earnings from sales and scheduled goodwill amortization in the previous year the increase is about 10 %. In the reporting year, there were impairments in Italy, France, Great Britain and Russia. For the fourth successive year, the EBIT was increased both absolutely and relatively. The ratio of EBIT, adjusted for special effects, to sales revenues is 8.7 % (8.5).

The Europe region is subdivided into the sub-regions of Western Europe excluding Germany (sales revenues share 49 %), Germany (sales revenues share 44 %) and Eastern Europe (sales revenues share 7 %).

Western Europe: site adjustment completed

The focus in Western Europe on reducing the number of production sites has been completed. Further advances are plant specialization, the creation of a common computer platform as well as close cooperation in research & development and sales.

The OVOLINE acquisition which was carried out in Great Britain on January 1, 2005 has been successfully integrated. After abandoning an older sub-site on our English main site it was possible to sell the land.

Germany: Mannheim houses the Group's largest production site

The volume of production at the site in Mannheim has doubled in the last three years. Mannheim is the largest of the FUCHS PETROLUB Group's sites, with production amounting to more than 160,000 tons. At the beginning of 2005, an ultra-modern production facility for shock absorber oils was put into operation.

In a targeted approach the FUCHS LUBRITECH Group builds up the high-performance lubricants segment using the globally available FUCHS infrastructure. As in 2004, the sales revenues and profits increased again in 2005.

Central and Eastern Europe: site in Poland extended

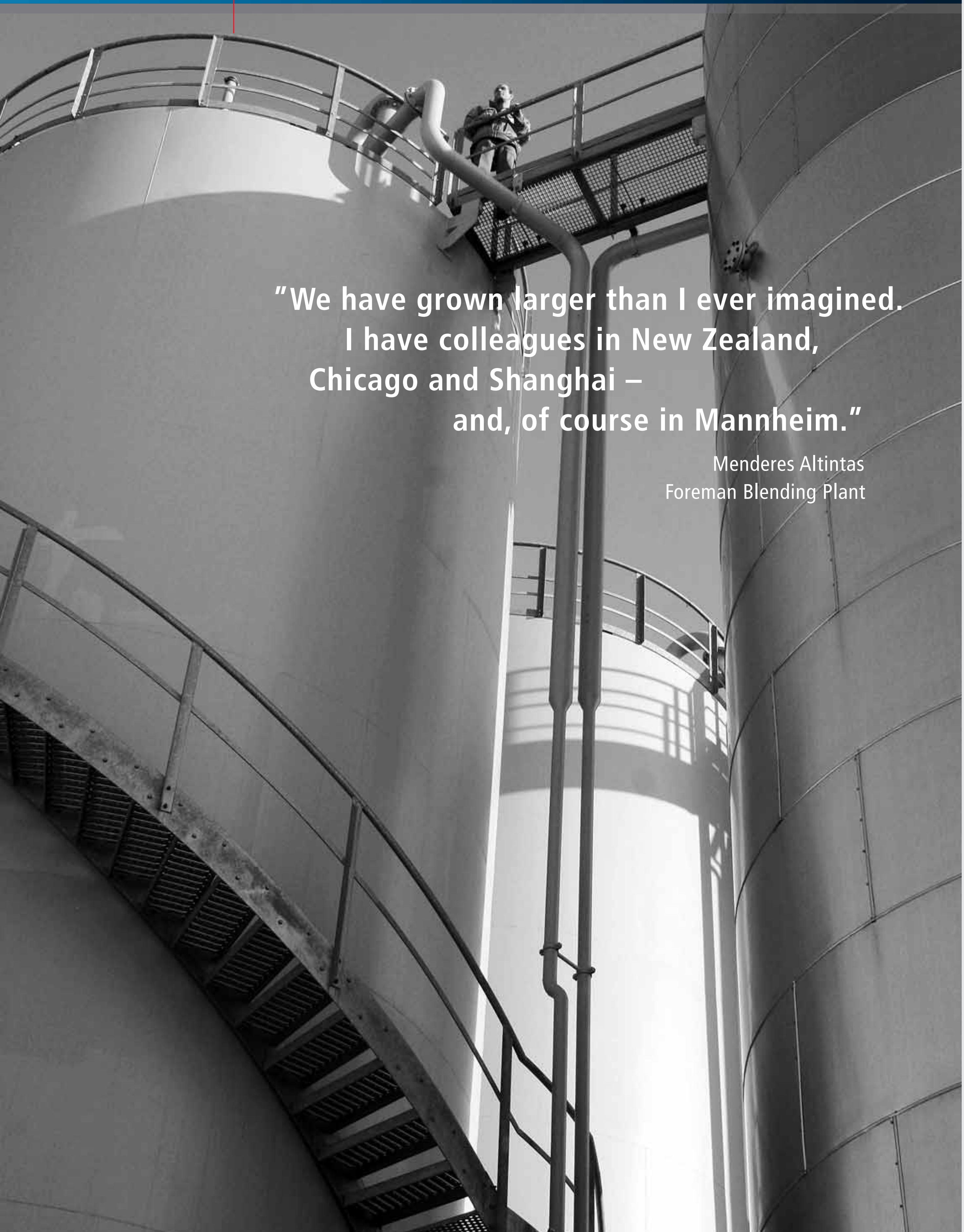
In 2005, the Polish subsidiary once again saw an increase in sales revenues and profit. In order to keep up with this growth a new warehouse and rail siding were constructed. In Russia, business increased significantly and in Slovakia we took over our former partner's 49 % share.

LIPPERT-UNIPOL: restructuring program completed

Once the restructuring phase and a small acquisition in the paste sector were completed, it was possible for LIPPERT-UNIPOL to contribute positively to the Group profit in 2005. A further increase in the operating profit is expected for 2006. The business is increasingly active in the growth markets in Eastern Europe and Asia.

Development of sales revenues in Europe (by company location) [€ million]

INTERNATIONALITY – The global presence of FUCHS PETROLUB AG is reflected in the Group’s 62 operating companies, of which 55 operate abroad. 23 of the foreign operations are located in the booming Asia-Pacific region with it’s three largest national lubricant markets China, Japan and India.



”We have grown larger than I ever imagined. I have colleagues in New Zealand, Chicago and Shanghai – and, of course in Mannheim.”

Menderes Altintas
Foreman Blending Plant

NORTH AND SOUTH AMERICA

Segment information [in € million][1]	2005	2004
Sales revenues by customer's location	229.9	204.3
Sales revenues by company's location	224.2	200.0
– thereof with other segments	1.0	0.9
Scheduled depreciation	3.8	9.3
Impairment losses	0.0	0.0
Earnings from investments recognised at equity	0.0	0.0
Segment earnings (EBIT) adjusted for special effects	37.6	30.6
Segment earnings (EBIT)	37.6	25.3
Segment assets	161.5	137.7
Segment liabilities	30.0	20.3
Capital expenditure	8.0	3.8
Employees (average numbers)	618	611
Performance measure [in %]		
Ratio of EBIT to sales revenues	16.8	12.7
Ratio of EBIT, adjusted for special effects, to sales revenues	16.8	15.3

1 See pages 68 and 69.

In 2005, sales revenues by company's location increased in the North and South America region by 12.1 % year to €224.2 million in comparison with the previous. The change in sales revenues was based particularly on strong internal growth (10.6 %) due to price increases and mix improvements. The volume decreased. The currency translation effect due to conversion of the regional sales revenues into euros brought about a positive effect of 1.5 % particularly because the Brazilian real was up against the euro. The dollar did not change appreciably in relation to the euro in the annual average. The regional earnings before interest and taxes (EBIT) climbed strongly to €37.6 million (25.3). Adjusted for scheduled goodwill amortization in the previous year, which amounted to €5.3 million, the EBIT increased by approximately 23 % and in relative terms increased significantly, too. In the reporting year the ratio of EBIT to sales revenues constituted 16.8 %, which is a new peak value.

Our business in South America represents 12 % of the regional sales revenues and is furthermore developing at a exceedingly promising rate.

1952

First exports to the Middle East

2006

FUCHS-ALHAMRANI – Tank farm in Saudi Arabia

North America

In 2005, the newly constructed office building of the North American headquarters in Harvey/Illinois, near Chicago was completed. 1500 m^2 of additional office space has been created and the old offices have been renovated. The building allows for extra floors to be added in the future and enables further expansion of our North American business.

Once again, the three operating subsidiaries in North America (Canada, USA and Mexico) were able to report record sales and profits. This proves once more that we are very well positioned with the local management and our product and customer portfolio.

The increase in sales revenues was particularly driven by prices and the product mix as a result of the steep raw material price increases. The factor for success was a detailed marketing plan with an underlying specialization strategy. The centralization of our customer service department not only streamlined our staffing but it has also led to far greater efficiencies and improvement in the quality of service to our customers.

The program for decreasing the net current assets generated very good results again. In particular, it was possible to successfully reduce the aging of receivables.

South America

Our subsidiaries in Brazil and Argentina were able to increase their sales and profits once again. In Brazil, the range of products was expanded by means of a local grease production facility. In the fourth quarter, it became possible to absorb the 39 % minority interest in our Brazilian subsidiary, which was formerly held by CLARIANT so that this subsidiary is now wholly owned by the FUCHS PETROLUB Group. Once again market shares could be gained in the core business of metal cutting. FUCHS ARGENTINA expanded its production capacity and topped off its product program with LUBRODAL auxiliary forging products.

Development of sales revenues in North and South America (by company location) [€ million]

ASIA-PACIFIC, AFRICA

Segment information [in € million][1]	2005	2004
Sales revenues by customer's location	239.7	223.6
Sales revenues by company's location	207.6	192.3
– thereof with other segments	0.0	0.0
Scheduled depreciation	2.6	4.9
Impairment losses	3.5	7.9
Earnings from investments recognised at equity	0.8	–1.3
Segment earnings (EBIT) adjusted for special effects	16.1	8.7
Segment earnings (EBIT)	16.1	7.1
Segment assets	105.2	92.8
Segment liabilities	31.2	31.4
Capital expenditure	2.4	3.4
Employees (average numbers)	953	968
Performance measure [in %]		
Ratio of EBIT to sales revenues	7.4	5.6
Ratio of EBIT, adjusted for special effects, to sales revenues	7.4	6.4

1 See pages 68 and 69.

In 2005, the regional sales revenues by company's location amounted to €207.6 million (192.3). This constituted regional growth of 8.0%. The internal growth was 6.4 % and the currency translation effect amounted to 1.6 percentage points. The strongest internal growth was achieved in Australia and South Africa. The growth in this region was essentially driven by prices and the product mix.

The regional earnings before interest and taxes (EBIT) amounted to €16.1 million in the reporting period. When adjusting the prior-year value by scheduled goodwill amortization, which amounted to €1.6 million, the EBIT increased by 85 %. In the reporting year the impairment loss amounted to €3.5 million (7.9); the impairment loss was recognized for a brand, which was formerly sold in Australia, as well as for our subsidiary in South Korea.

About 28 % of sales revenues are achieved in China, 29 % in Australia and 13 % in South Africa. The remainder is distributed among our joint ventures in Japan and in the United Arab Emirates as well as our regional subsidiaries. The region has its own manufacturing plants in many countries and is anxious to expand its share of local production still further.

2003

Group's Executive Committee and staff members in China

2005

Brand advertisement in Shanghai

Today China is the fourth largest economic power

China's rise to a position of one of the leading global economic powers proceeds in an unstoppable way. With a growth rate, which in 2005 once again amounted to more than 9%, the gross domestic product increased to €1,800 billion. This makes China the fourth largest economic power after the USA, Japan and Germany. The basis for this upward trend is continued brisk investment activity and the emergence of a free-spending middle class. This development gives the FUCHS PETROLUB business an additional boost.

The three Chinese subsidiaries have been under consolidated management since 2004. Their integration into FUCHS LUBRICANTS CHINA enables consistent market development with optimized cost structures. This is the reason why a new factory will be built in Shanghai. On the basis of sales revenues in 2005 of approximately €60 million, the focus is on the expansion of the local R&D activities and further specialization in the product portfolio.

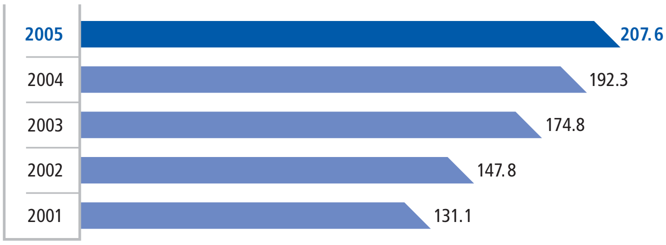
Australia continues to profit from boom in China

The Australian economy profited from the Chinese demand for raw materials. Within this market environment, FUCHS LUBRICANTS (AUSTRALASIA) was able to achieve significant increases in lubricant sales revenues particularly in the automotive and mining sectors. The earnings experienced growth which was well above average. The strength of the Australian currency, mix improvements in the portfolio and increases in efficiency supported growth.

Further regional expansion

Sales revenues and profits of our subsidiary in South Africa were again excellent. In 2005, the subsidiary added a production facility for grease manufacture. Our remaining subsidiaries and joint ventures in the Middle East, on the Indian sub-continent, in South East Asia and East Asia contributed to an overall growth in earnings due to the discontinuation of low-margin business and stringent cost management.

Development of sales revenues in Asia-Pacific, Africa (by company location) [€ million]



DIVERSITY – **FUCHS lubricants are used for the most diverse applications: metal working, corrosion prevention, as lubricant grease, industrial oil and in all kinds of vehicles. In the automotive industry, the company as the preferred development partner and supplier of initial fill has a leading position worldwide.**

"For me and my more than 300 colleagues everything revolves around oils and lubricants. The story of each one of our more than 10,000 products has its point of departure in our labs."

Mine Acar
Lab Assistant Quality Assurance

RESEARCH AND DEVELOPMENT

Market and customer proximity are essential to develop innovative products designed to meet unique requirements. Therefore, most of our products are developed in close cooperation with the customer. We pursue this strategy by means of additional research network projects with universities and related research institutes.

At the end of 2005. FUCHS Research and Development departments employed 329 (327) engineers, chemists, technical specialists and assistants with a budget of €20.6 million (21.4) for the reporting period.

Coolants for the aviation industry

In order to reduce fuel consumption, future aircraft propulsion will be engineered with lighter and high-strength materials, i.e. materials which are extremely difficult to machine and require lubricants with performance properties superior to the currently available ones. FUCHS is the development partner of a leading manufacturer of aircraft propulsion modules and components worldwide. A first successful outcome of this partnership is a special coolant lubricant now widely used to machine nickel and titanium materials. In a comprehensive benchmarking test, the product was qualified for the toughest working conditions. Particularly when high-speed milling integral compressor rotors, both the surface quality of the component and the service life of the emulsion were significantly improved. The product has also been proven for other materials, which are difficult to lathe, mill and grind. Encouraged by this success, FUCHS will develop machining lubricants for reaming and deep-drilling processes to meet the production requirements of the next generation of aircraft propulsion systems.

Market leader for shock absorber oils

Shock absorbers ensure safe and comfortable vehicle handling regardless of the vehicle speed, road conditions and outside temperature. Shock absorber oil must minimize friction inside the absorber and provide consistent absorption characteristics over the entire temperature range including extremely low temperatures. Due to their design, shock absorbers are almost always filled once with oil for the entire service life, thus superior wear resistance and good compatibility with sealant materials are of major importance to prevent premature absorber failure caused by oil leaks or excessive wear. The newly developed shock absorber oils are tested using state-of-the-art in-house testing facilities. In Germany, FUCHS is by far the market leader for initial shock absorber oil fillings of new vehicles. In order to maintain this strong market position, in 2004 the Group invested roughly four million euros in a new shock absorber oil production plant in Mannheim. The high-performance, top-of-the-line facility will enable FUCHS to reliably meet the growing customer demands for product quality, process safety and quick delivery in the future. The new high-tech production site is both cost-efficient and environmentally compatible. It produces shock absorber oils for passenger cars and commercial vehicles, but also specialties for two-wheelers and railway vehicles, as well as for special industrial applications.

1939

The first laboratory on the Friesenheimer Insel premises

Prospects with cold rolling

In the metal processing industry, cold rolling steel requires the most demanding lubrication technology. In a field test at an important European steel plant, a synthetic rolling oil by FUCHS proved to be particularly suitable. Due to a unique formulation philosophy and expert application-oriented support on-site, the rolling process could be optimized and made more cost-effective: the cleanliness of the rolled material and of the rolling mill was improved, the increased lubricity resulted in lower rolling forces and thus lower energy consumption. In addition, the overall consumption of rolling oil was reduced. The field test results sparked tremendous interest in the steel industry.

Wheel bearing lubrication for commercial vehicles

Modern commercial vehicles are increasingly engineered with disc brakes rather than drum brakes, causing much higher peak temperatures at the wheel bearings. That is why the manufacturers of roller bearings specify a long-term temperature resistance of over 160 °C for lubricant greases used in tapered roller bearings. This specification could not be met with commercially available lubricant greases and triggered the development of a synthetic-oil-based lubricating grease with special thickener system ensuring bearing lives of more than 1,500,000 km.

Surface smoothening industrial gear oils

A highlight of FUCHS' research and development activities in the field of industrial oils is the new series of surface smoothening, so-called PD (plastic deformation), heavy duty industrial gear oils. Even at extreme loads, high pressures, low speeds and with damaged tooth surfaces, the special additive systems of plastic deforming oils smooth gear toothing, build up a protective coat and thus protect gear box components from wear. Compared to commercially available products, these industrial gear oils have been further developed in terms of thermal and oxidative stability, corrosion protection and sludge prevention. Now, FUCHS industrial gear oil assortment features mineral- as well as synthetic-oil-based products meeting the highest technological requirements. Current test results generated with large gear boxes in the mining industry and spindle drives for forging presses under extreme operating conditions and with damaged machine elements have proven the excellent product properties.

OUR PEOPLE

Our employees – the basis of our success

Our employees are the most important resource in our company. The knowledge, experience and commitment of each of them ensures that business is conducted successfully, innovative products are introduced and customers satisfied.

The size and organizational structure of our company enables us to have short lines of communication and decision-making, and thus to have non-bureaucratic collaboration between different departments. For our staff this means varied activities to which everyone can make a personal contribution.

Vocational training

Today FUCHS is already training the experts of tomorrow and for decades has placed a high value on sound qualifications from initial training. This is just one factor contributing to long-term quality assurance. It is also in accordance with our policy of social responsibility – particularly with regard to young people.

As of the December 31, 2005 42 employees were receiving training in seven different vocational areas in the German companies, keeping the number of trainees at a high level.

FUCHS companies abroad are also making an important contribution in supporting junior staff with their individual provision of training leading to a qualification. Some companies are also offering our students at the Vocational College in Mannheim the opportunity to spend a semester in a foreign country – these students are thus gaining practical experience in an international context.

Individual personnel development

FUCHS consistently promotes the development of its employees – the most important source of potential for a company. Opportunities for development at FUCHS spring from the broad spectrum of interesting tasks and activities within our company. Therefore personnel development is not an ‘off the peg’ concept for us but rather an approach to personnel development geared to individual needs and varying stages of development. This ensures that there is new blood and new staff for key and leading positions at home and abroad and that motivation and loyalty are promoted.

Our internal, company-wide training facility – FUCHS ACADEMY – provides regular technical seminars on tribology and lubrication technology as well as sales seminars. The program is extended continually according to requirements.

FUCHS Incentive Program

The ‘FUCHS Incentive Program’, started in 2003, is a global instrument used to ensure performance-related remuneration for the management of the FUCHS Group subsidiaries around the world. The program is based on a value-added incentive system, the so-called FVA (FUCHS VALUE ADDED) system, which links operating profit, capital employed and capital costs.

Internal code of conduct

Equal opportunities regardless of sex, age, ethnic origin or religion are a basic right for all our staff guaranteed in writing. Our internal code of conduct is geared to the basic principles of our Group and serves as a standard for appropriate and socially aware behavior for our staff in the course of daily business. It contains guidelines on topics such as social responsibility, safety at work, health and environmental protection, collaboration with business partners, avoidance of discrimination, and cooperation within the company.

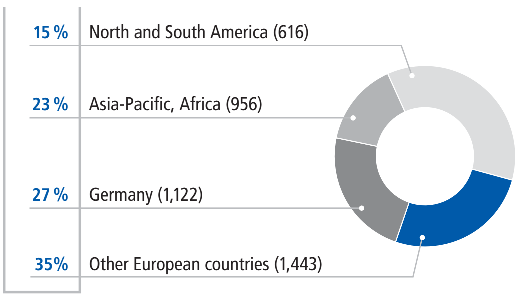
Workforce remains constant

As of the December 31, 2005 the Group employed 4,137 people (4,155) worldwide. The total number of employees has thus declined in comparison with the previous year by 18 people or 0.4 % and has therefore remained almost constant.

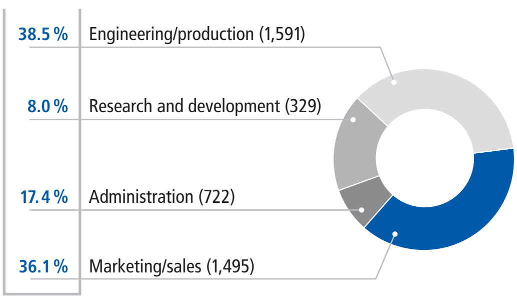
73 % of staff or 3,015 (3,058) people were employed abroad and 1,122 (1,097) people in Germany.

Worldwide, 38.5 % (38.4) of the workforce is employed in engineering and production, 36.1 % (35.4) in marketing and sales, 17.4 % (18.3) in administration, and 8.0 % (7.9) in research and development.

Geographical workforce structure
[%/number]



Structure of workforce by function
[%/number]



CONTINUITY – FUCHS employs more than 4,000 employees worldwide, most of whom work in technical and production. Special attention has always been paid to a systematic and consistent policy to recruit and train management potential to allow for orderly succession all over the world.

"My Grandma suggested my dad get a job at FUCHS, and he later told me to do the same. I am curious to see how it will all continue."

Dieter Meinecke
Head IT

Hilde Meinecke
Retiree

Carsten Meinecke
Employee IT Support

OPPORTUNITY AND RISK MANAGEMENT

Risk management

The risk management policy of the FUCHS PETROLUB Group is in accordance with our endeavor to achieve continuous growth and increase in company value. Creating value should be based upon the premise that it is only worth entering into a risk if it cannot be avoided, provided it can be controlled. A risk counts as any event or activity posing a threat to the success of the company, or at worst, its very existence.

To monitor and control risks, the FUCHS PETROLUB Group has its own opportunity and risk management system geared to the international nature of the overall organization. There are effective steering and control systems in place to detect risk at an early stage and to evaluate and deal with such risks. These systems are also brought together in an unified risk management system for the purpose of complying with legal requirements. The risk management system is an integral part of the overall planning, steering and reporting process. Key areas of risk management are strategic planning, medium-term planning, budgeting, reporting, ongoing financial controlling, risk reporting, organization and processes, and internal audit.

A fundamental principle of our global risk management is the periodic completion of risk inventories. The process is decentralized and takes place in the departments and headquarters, as they have a detailed understanding of corporate risks and their origins. Within the framework of the risk inventory the responsible management identifies risks in accordance with predefined categories and classifies them in terms of their probability of occurrence and the expected extent of loss. Moreover the persons in charge of this inventory should identify the measures for the management and minimization of risks. Risk identification entails recognizing any factors capable of endangering the success of the company, or at worst its very existence, as well as pinpointing opportunities and taking advantage of them.

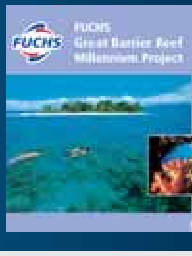
The inventory results are summarized in a general risk inventory which serves the Executive Board of FUCHS PETROLUB AG as a basis for decisions for risk control. The risk management system makes it possible to detect risks at an early stage and to take action to deal with them.

The adequacy and efficiency of our risk management and control systems are scrutinized and, if needed, adjusted. The external auditors also assess the functional capabilities of the early risk warning system as part of their annual audit. The auditors at KPMG have confirmed that it meets the requirements made for such a system.

Risks are described which might have negative effects on our asset, financial and earnings situation. These are not necessarily all the risks to which we are exposed. Risks of which we are currently unaware or risks which we in our current state of knowledge regard as insignificant could still have a damaging effect on our business.

2000

Millennium Environmental Protection Project at the Great Barrier Reef in Australia



Individual risks

Economic risks

The development of our business and its associated financial objectives is also dependent on the economic developments in countries and regions relevant to our business. Because of the broad spread of our geographic and product portfolio which comprises several thousand lubricants and related specialties for all areas of life and industry, there are no serious dependencies on individual branches of the industry.

Sector risks

The chemical industry normally reacts at an early stage and directly in response to economic developments. It can therefore be regarded as an early indicator of general economic development. FUCHS is a specialized chemical company for whom strength in the field of innovation is an important factor in its competitiveness. FUCHS sees itself in many respects as a solution provider rather than a supplier of products. The company has advantages in being the world's largest independent supplier of high quality lubricants and associated specialties. In order to secure its market position and to expand it, FUCHS researches and works on new products and processes all the time. This innovation and niche strategy, global presence, high level of specialization, consistent increases in sales prices as a consequence of the escalation of raw material prices, and ongoing disciplined cost management will also help in the future to secure our market position.

The reorientation of chemical policy within the EU (introduction of REACH, a new chemical control system) brings with it the risk that we and our European customers and suppliers may be put at a considerable disadvantage in comparison with the competitors outside Europe due to expensive testing and registration procedures. The European Parliament passed the first reading of the new EU chemicals policy in November 2005. Nevertheless because of ratification processes the law will probably not come into effect before 2007. Subsequently the European Agency for Chemical Substances (the registration body for chemicals) needs to be set up. From this it can be assumed that the regulations contained in REACH will have practical effect as from 2008.

At this point in time the actual effects and their associated costs cannot be calculated precisely. A problem for the FUCHS PETROLUB Group might be the reduction in availability of raw materials as for some suppliers the production of particular raw materials may no longer be economically viable. FUCHS continues to address this subject area regularly and is devising measures to be taken accordingly.

Risks arising within different parts of the company

The breadth of our product portfolio and balanced customer structure serve to reduce the Group's overall dependence on revenues from individual companies, regions or customers. All regions of the FUCHS PETROLUB Group are set up in such a way that they can make a positive contribution to the Group's profits. Moreover, thanks to a broad base of more than 100,000 customers in 120 countries, our dependence on individual customers or clusters of customers is minimal.

The availability of raw materials is not without risk for FUCHS PETROLUB. Prices for raw materials such as base oils, additives, chemicals and packaging materials continued to increase in 2005. In particular there is a physical scarcity of base oils due to technical problems, closures and routine shutdowns of refineries as well as the alternative use of crude oil to produce fuels instead of base oil.

Furthermore, the prices for those base oils of which the largest volumes are required increased by some 70 % in 2005. Our base oil supplies are therefore facing different conditions which can have a negative effect on profits. In our current state of knowledge it cannot be expected that this situation will ease and the possibility of further aggravation cannot be excluded. FUCHS is continually working to improve purchasing processes and centralize purchasing operations.

Innovative products and tailor made solutions for customers are the important success factors in our business model. Therefore great importance is attached to research and development at FUCHS. We minimize research and development risks by approaching development projects jointly with our customers and concluding project partnership agreements. This promotes our innovative capabilities and a high level of specialization.

Financing and currency related risks

The company does face the possibility of risks in the area of finance. The key risks are interest-rate fluctuation and exchange-rate movements

The risk from changes in interest rates has continually declined in past years due to the repayment of financing debts. Residual risks are covered by fixed interest agreements and interest assurance instruments taking prospect and risk considerations into account.

Because of the global orientation of the business activities of the FUCHS PETROLUB Group significant assets are held in foreign currencies and purchases and sales are conducted in various currencies. FUCHS is thus exposed to exchange-rate movements.

1950

Motor racing advertisement at the Hockenheim race track, Germany back then

2005

Motor racing sponsoring also today

A weakening of the US dollar or other currencies in which we hold substantial assets or generate significant earnings leads to a reduction in shareholders' equity or net profit when the net profit is consolidated (translation effect). While sales are mostly conducted in the local currency a significant proportion of raw material purchases are conducted in foreign currencies or on the basis of foreign currency prices. Therefore a weaker dollar often has a positive translation effect. Thus both translation and transaction risks are netted out to a large extent at Group level. Remaining currency risks are reduced partly through forward exchange trading.

We reduce significant financial and currency risks by entering into term- and currency-matched financing and by making use of suitable instruments. We deploy these instruments depending on the nature of the risk, in keeping with corresponding guidelines, and only enter into such transactions for hedging reasons.

Regulatory and legal risks

As a company operating on the international market the FUCHS PETROLUB Group is exposed to numerous regulatory and legal risks. These can include risks in the areas of product liability, recalls, safety at work and environmental protection.

There are currently no pending or threatened court cases likely to have a significant effect on the economic standing of the companies in the FUCHS PETROLUB Group. Provisions for court cases are made where it is likely that some liability will ensue and it is possible to estimate the amount adequately.

FUCHS counters the risk arising from product liability which could result in claims for damages by constant improvements to the production processes and quality management system. Moreover our product liability insurance provides sufficient cover for all cases of liability.

Legal risks may result from new ordinances and laws, which have greatly increased in volume recently for companies listed on the stock exchange. In order to avoid any possible risks, our decisions and negotiations are based on comprehensive legal advice both by our own experts and qualified external experts.

Risks from acquisitions and investments

Acquisitions and investments are surrounded by complex risks although these activities, being geared to the future, are necessary for the continued development of our company, they are also pregnant with risk due to their associated uncertainties. At FUCHS, acquisition and investment projects follow specified processes and procedures to control and reduce operational risks.

2005

Participation at important trade fairs – close customer contact

Other risks and IT risks

In order to deal with possible risks in the area of IT. FUCHS uses modern hardware and software. The company also concentrates on the security of the EDP systems and databases. We work constantly on updating the IT infrastructure, the IT safety concept and broader internal networks. There are currently no discernible, essential IT-related risks at FUCHS.

The FUCHS PETROLUB Group's global presence entails certain country-by-country risks and location-related risks. These include catastrophes such as natural disasters, pandemics (e. g. bird flu), terror or war and the political situation or events, which pose a certain element of risk in various locations around the world. The security measures here are adjusted and improved to meet the requirements of the circumstances as far as possible. Property and liability risks, as well as the risk posed by business interruption, are sufficiently covered by insurance policies.

The highly technical and specialized nature of the products and the international footing of the FUCHS PETROLUB Group continue to make high demands on the qualifications and expertise of our employees. For this reason it is essential that we recruit qualified technical and management staff, integrate them successfully and retain them long term. We offer our employees remuneration packages which are in accordance with performance and market conditions as well as adequate opportunities for qualifications and further training.

There are currently no discernible risks arising from product liability or environmental protection. Neither the production facilities required to manufacture lubricants nor the process technology applied pose any particular risks to the environment when used correctly. Nevertheless concerted action to improve soil and water conservation is being taken and production plants are being brought up to the latest technical standards.

There are no other discernible risks, such as management risks.

Overall risk

At this point in time and for the foreseeable future there are no individual risks which could threaten the continued existence of the FUCHS PETROLUB Group, nor do the risks in total threaten the continued existence of the Group.

Our opportunity and risk management system ensures that key opportunities and risks are identified early and dealt with accordingly. We have made all possible provision for typical business risks capable of having a major influence on company assets, finances and profits.

FORECAST REPORT

Business developments in the first two months of 2006

In the first two months of 2006 the Group succeeded in increasing sales. Once more the basis for growth was mix improvement and increases in sales prices. All regions achieved satisfying internal growth rates. The currency translation effect was positive.

Forecast for full-year 2006

According to the forecast issued by the Kiel Institute for the World Economy (IFW) the world economy will also grow in 2006 by 4.5 %. In general we are assuming that global lubricant demand will grow at a similar rate as in the previous year.

In the exchange rates, the Group has calculated the US dollar, which plays an important role for the Group's companies in their purchases of raw materials, using a rate of $1.20 per euro.

With its product range the FUCHS PETROLUB Group is well positioned in the various regional markets. Therefore, we not only want to maintain our market share, but build on it. Over the entire year, we expect an increase in sales revenues related to price and mix which is above the internal growth rate for the previous year of 6.9 %. To what extent sales revenue is further positively influenced by the currency development remains to be seen.

Raw material prices will stay at their high level in 2006. The company will counteract this development by continuing with its strategy of specialization and focus. We will also have to respond to the rising cost of raw materials by raising prices. The continued concentration on the specialty sector of the lubricant business and further optimization of our cost structure will continue to remain a high priority in 2006.

For the business year 2006 we work towards continuing success of the previous year regarding EBIT excluding special effects and maintain the operating cash flow at the high level of the previous year. In so doing, the equity position would be further improved and, provided that no significant acquisitions occur, the level of financial debt would be further reduced. The Group is currently not anticipating large acquisitions.

We intend to keep investment in property plant and equipment at the same level as 2005. The investment ratio will thus be below 2.5 % of sales revenues as in previous years. A significant sum will be expended on the extension and renovation of a laboratory facility and safety system and will thus serve to ensure the Group's future.

All regions plan to increase their sales revenues in 2006. In particular the subsidiaries in North and South America as well as Asia-Pacific and Africa intend to participate in the dynamic development of their respective regions and plan to simultaneously defend the EBIT margin which has already been achieved.

SUPPLEMENTARY REPORT

After the end of the financial year, no transactions of particular importance have occurred, which have an appreciable bearing on the earnings, net assets and financial position of the FUCHS PETROLUB Group.

PRODUCT QUALITY – The high quality standards of FUCHS products have been one of the major drivers for the 75 years of success. During the foundation years, it was a growing demand for quality lubricants for transportation and agriculture. Today, newly developed high-quality products meet our customer's requirements concerning cost-effectiveness, environmental protection and occupational safety.

"Once, someone told me that the quality of our products was the locomotive of our thriving company. Naturally, I liked that."

Werner Golebiowski
Foreman Warehouse – Incoming Goods

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CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF INCOME

[in € million]	Notes		2005		2004
Sales revenues	(1)		**1,192.2**		1,096.3
Cost of sales	(2)		**–767.4**		–688.6
Gross profit			**424.8**		**407.7**
Selling and distribution expenses	(3)	**–213.1**		–208.6	
Administration expenses		**–71.7**		–70.3	
Research and development expenses		**–20.6**		–21.4	
			–305.4		–300.3
Operating profit			**119.4**		**107.4**
Other operating income and expenses	(4)		**8.5**		–11.3
Investment income	(5)		**0.9**		–1.3
Earnings before interest, taxes and goodwill amortization (EBITA)			**128.8**		**94.8**
Scheduled goodwill amortization	(6)		**0.0**		–8.6
Earnings before interest and taxes (EBIT)			**128.8**		**86.2**
Financial result	(7)		**–15.7**		–18.8
Earnings before taxes (EBT)			**113.1**		**67.4**
Taxes on income	(8)		**–38.9**		–27.3
Net profit after taxes			**74.2**		**40.1**
Minority interests	(9)		**–1.0**		–1.1
Net profit after minority interest			**73.2**		**39.0**
Earnings per share [in €][1]	**(10)**				
Ordinary share			**3.08**		**1.62**
Preference share			**3.14**		**1.68**
Earnings per share [in €] excluding special effects[2]					
Ordinary share			**2.80**		**1.99**
Preference share			**2.86**		**2.05**

1 Basic and diluted in both cases.

2 Special effects result in the reporting year from profits from the sale of land no longer required for operation in the amount of €6.4 million, as well as scheduled goodwill amortization last undertaken in the previous year in the amount of €8.6 million.

BALANCE SHEET

[in € million]	Notes		31.12.2005		31.12.2004
Assets					
Intangible assets	(14)		90.0		82.2
Property, plant and equipment			161.3		154.9
Investments accounted for using the equity method	(15)		3.7		2.4
Other financial assets	(16)		3.7		2.8
Deferred taxes	(17)		15.0		11.7
Long-term assets	**(13)**		**273.7**		**254.0**
Inventories	(18)		164.4		138.8
Trade receivables	(19)		198.6		175.1
Tax receivables	(20)		1.6		1.0
Other receivables and other assets	(21)		27.0		32.1
Liquid funds	(22)		26.0		27.6
Short-term assets			**417.6**		**374.6**
			691.3		**628.6**
Equity and liabilities					
Subscribed capital		70.7		70.7	
Group reserves		87.5		46.2	
Group profits		73.2		39.0	
FUCHS PETROLUB Group capital			231.4		155.9
Minority interest			1.2		3.9
Shareholders' equity	**(23)**		**232.6**		**159.8**
Pension provisions	(24)	54.9		55.5	
Other provisions	(25)	7.9		7.5	
Deferred taxes	(17)	11.9		9.8	
Financial liabilities	(26)	66.5		110.4	
Other liabilities		1.3		0.4	
Long-term liabilities			**142.5**		**183.6**
Trade payables	(27)	120.4		103.8	
Provisions	(28)	39.8		42.0	
Tax liabilities	(29)	31.2		16.5	
Financial liabilities	(30)	90.8		83.8	
Other liabilities	(31)	34.0		39.1	
Short-term debt liabilities			**316.2**		**285.2**
			691.3		**628.6**

STATEMENT OF CHANGES IN LONG-TERM ASSETS

[in € million]	Gross amounts Acquisition and manufacturing costs					
2004	31.12.2003	Exchange differences	Changes in the cons. Group	Additions	Disposals	Reclassi-fications	**31.12.2004**
Intangible assets							
Licenses, industrial property rights and similar values	27.8	−0.1	1.1	0.7	1.3	0.1	**28.3**
Goodwill	174.7	−3.6	7.2	1.4	0.0	0.0	**179.7**
Other intangible assets	0.1	0.0	0.0	0.2	0.0	−0.1	**0.2**
	202.6	**−3.7**	**8.3**	**2.3**	**1.3**	**0.0**	**208.2**
Property, plant and equipment							
Land, land rights and buildings	138.0	−2.5	0.0	1.3	0.7	1.5	**137.6**
Technical equipment and machinery	166.6	−3.6	0.0	5.2	7.0	4.0	**165.2**
Other equipment, factory and office equipment	89.8	−0.5	0.1	5.9	12.6	−2.0	**80.7**
Work in progress	3.1	−0.2	0.0	8.8	0.0	−3.5	**8.2**
Leased objects	0.7	0.0	0.0	0.0	0.0	0.0	**0.7**
	398.2	**−6.8**	**0.1**	**21.2**	**20.3**	**0.0**	**392.4**
Financial assets							
Shares in affiliated companies	0.3	0.0	0.0	0.0	0.0	0.0	**0.3**
Investments accounted for using the equity method	17.8	−0.3	−2.1	0.0	1.3	0.0	**14.1**
Other shareholdings	2.6	0.0	0.0	0.0	0.0	0.0	**2.6**
Loans to participating interests	0.0	0.0	0.0	0.3	0.0	0.0	**0.3**
Other loans	0.5	0.0	0.0	0.0	0.0	0.0	**0.5**
Long-term securities	0.6	0.0	0.0	0.0	0.0	0.0	**0.6**
	21.8	**−0.3**	**−2.1**	**0.3**	**1.3**	**0.0**	**18.4**
Long-term assets	**622.6**	**−10.8**	**6.3**	**23.8**	**22.9**	**0.0**	**619.0**
2005	31.12.2004	Exchange differences	Changes in the cons. Group	Additions	Disposals	Reclassi-fications	**31.12.2005**
Intangible assets							
Licenses, industrial property rights and similar values	28.3	0.3	0.0	3.7	0.2	0.3	**32.4**
Goodwill[1]	78.7	3.4	−0.1	7.2	0.0	0.0	**89.2**
Other intangible assets	0.2	0.0	0.0	0.5	0.0	−0.3	**0.4**
	107.2	**3.7**	**−0.1**	**11.4**	**0.2**	**0.0**	**122.0**
Property, plant and equipment							
Land, land rights and buildings	137.6	6.5	0.0	3.8	6.9	2.4	**143.4**
Technical equipment and machinery	165.2	8.3	0.0	9.8	10.7	2.5	**175.1**
Other equipment, factory and office equipment	80.7	2.6	0.0	7.3	4.8	2.7	**88.5**
Work in progress	8.2	0.3	0.0	3.7	0.2	−7.6	**4.4**
Leased objects	0.7	0.0	0.0	0.0	0.0	0.0	**0.7**
	392.4	**17.7**	**0.0**	**24.6**	**22.6**	**0.0**	**412.1**
Financial assets[2]							
Shares in affiliated companies	0.3	0.0	0.0	0.4	0.0	0.0	**0.7**
Investments accounted for using the equity method	14.1	0.5	0.0	0.8	0.0	0.0	**15.4**
Other shareholdings	2.6	0.0	0.0	0.0	0.6	0.0	**2.0**
Loans to participating interests	0.3	0.1	0.0	0.3	0.0	0.0	**0.7**
Other loans	0.5	0.0	0.0	1.1	0.3	0.0	**1.3**
Long-term securities	0.6	0.0	0.0	0.0	0.1	0.0	**0.5**
	18.4	**0.6**	**0.0**	**2.6**	**1.0**	**0.0**	**20.6**
Long-term assets	**518.0**	**22.0**	**−0.1**	**38.6**	**23.8**	**0.0**	**554.7**

[excluding the item "deferred taxes"]

1 The depreciations accumulated by December 31, 2004 on goodwill were balanced according to IRFS 3.79 b with the historical acquisition costs.
2 The inflows to the financial assets also contain partial proceeds of the investments accounted for using the equity method, in addition to the capital expenditures.

	Depreciation and amortization							Net amounts	
31.12.2003	Exchange differences	Changes in the cons. Group	Scheduled deprec. & amortiz.	Impairment loss	Disposals	Reclassi-fications	**31.12.2004**	**31.12.2004**	31.12.2003
24.3	–0.1	0.0	1.8	0.0	1.0	0.0	**25.0**	**3.3**	3.5
87.4	–1.8	–0.2	8.0	7.6	0.0	0.0	**101.0**	**78.7**	87.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.2**	0.1
111.7	**–1.9**	**–0.2**	**9.8**	**7.6**	**1.0**	**0.0**	**126.0**	**82.2**	**90.9**
50.8	–0.8	0.0	5.7	0.0	0.0	0.7	**56.4**	**81.2**	87.2
118.8	–2.6	0.0	8.3	0.0	6.3	1.2	**119.4**	**45.8**	47.8
66.8	–0.5	0.0	8.5	0.0	11.2	–1.9	**61.7**	**19.0**	23.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**8.2**	3.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.7**	0.7
236.4	**–3.9**	**0.0**	**22.5**	**0.0**	**17.5**	**0.0**	**237.5**	**154.9**	**161.8**
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.3**	0.3
8.9	0.0	–0.2	0.6	2.4	0.0	0.0	**11.7**	**2.4**	8.9
0.7	0.0	0.0	0.0	0.5	0.0	0.0	**1.2**	**1.4**	1.9
0.0	0.0	0.0	0.0	0.2	0.0	0.0	**0.2**	**0.1**	0.0
0.1	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**	**0.4**	0.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.6**	0.6
9.7	**0.0**	**–0.2**	**0.6**	**3.1**	**0.0**	**0.0**	**13.2**	**5.2**	**12.1**
357.8	**–5.8**	**–0.4**	**32.9**	**10.7**	**18.5**	**0.0**	**376.7**	**242.3**	**264.8**

31.12.2004	Exchange differences	Changes in the cons. Group	Scheduled deprec. & amortiz.	Impairment loss	Disposals	Reclassi-fications	**31.12.2005**	**31.12.2005**	31.12.2004
25.0	0.3	0.0	1.4	0.0	0.2	0.0	**26.5**	**5.9**	3.3
0.0	0.0	0.0	0.0	5.5	0.0	0.0	**5.5**	**83.7**	78.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.4**	0.2
25.0	**0.3**	**0.0**	**1.4**	**5.5**	**0.2**	**0.0**	**32.0**	**90.0**	**82.2**
56.4	2.3	0.0	4.3	2.0	4.4	0.1	**60.7**	**82.7**	81.2
119.4	5.7	0.0	7.8	0.0	10.6	–1.8	**120.5**	**54.6**	45.8
61.7	2.0	0.0	8.4	0.0	4.2	1.7	**69.6**	**18.9**	19.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**4.4**	8.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.7**	0.7
237.5	**10.0**	**0.0**	**20.5**	**2.0**	**19.2**	**0.0**	**250.8**	**161.3**	**154.9**
0.0	0.0	0.0	0.0	0.1	0.0	0.0	**0.1**	**0.6**	0.3
11.7	0.0	0.0	0.0	0.0	0.0	0.0	**11.7**	**3.7**	2.4
1.2	0.0	0.0	0.0	0.3	0.6	0.0	**0.9**	**1.1**	1.4
0.2	0.1	0.0	0.0	0.2	0.0	0.0	**0.5**	**0.2**	0.1
0.1	0.0	0.0	0.0	0.0	0.1	0.0	**0.0**	**1.3**	0.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.5**	0.6
13.2	**0.1**	**0.0**	**0.0**	**0.6**	**0.7**	**0.0**	**13.2**	**7.4**	**5.2**
275.7	**10.4**	**0.0**	**21.9**	**8.1**	**20.1**	**0.0**	**296.0**	**258.7**	**242.3**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in € million]	Subscribed capital AG	Capital reserves AG	Equity capital generated in the Group	Effects from currency translation	Market valuation of financial instruments	**Group's capital**	Minority interest	**Share-holders' equity**
Balance at Dec. 31, 2003	70.7	94.9	–26.5	–7.1	0.5	**132.5**	5.2	**137.7**
Dividend payments			–12.9			**–12.9**	–0.9	**–13.8**
Net gains and losses not recognized in the Income Statement								
Currency effects				–5.9		**–5.9**		–5.9
Financial instruments net of deferred tax				4.0	–2.1	**1.9**		**1.9**
Other changes			1.2	0.1		**1.3**	–1.5	**–0.2**
Net gains and losses recognized in the Income Statement								
Net profit after taxes 2004			39.0			**39.0**	1.1	**40.1**
Balance at Dec. 31, 2004	**70.7**	**94.9**	**0.8**	**–8.9**	**–1.6**	**155.9**	**3.9**	**159.8**
Adjustment currency translation effects from the capital repaid by a subsidiary				–2.6	2.6		**0**	**0**
Dividend payments			–13.7			**–13.7**	–0.9	**–14.6**
Net gains and losses not recognized in the Income Statement								
Currency effects				15.0		**15.0**	0	**15.0**
Financial instruments net of deferred tax					1.0	**1.0**		**1.0**
Other changes						**0**	–2.8	**–2.8**
Net gains and losses recognized in the Income Statement								
Net profit after taxes 2005			73.2			**73.2**	1.0	**74.2**
Balance at Dec. 31, 2005	**70.7**	**94.9**	**57.7**	**8.7**	**–0.6**	**231.4**	**1.2**	**232.6**

According to IRFS, the capital reserves of the AG are reduced by the costs of the 2003 capital increase in the amount of €1.1 million.
The 2005 dividend payment in the amount of €13.7 million is the dividend distribution agreed to in the Annual Shareholders Meeting of FUCHS PETROLUB AG on May 24, 2005 for the year 2004; accounting for the share split of June 2005, the dividend amounted to €0.55 per ordinary share and €0.61 per preference share, respectively.
Changes in equity capital are illustrated in the notes to the consolidated financial statements under item 23.

STATEMENT OF CASH FLOWS

[in € million]	2005	2004
Net profit after taxes	74.2	40.1
Depreciation and amortization of Long-term assets	30.0	43.6
Change in long-term provisions	–0.2	–1.1
Changes in deferred taxes	–2.4	–2.2
Non cash deliverables of shareholdings accounted for using the equity method	–0.8	1.3
Gross Cash Flow	100.8	81.7
Change in short-term provisions	9.7	4.0
Change in inventories	–17.8	–11.7
Change in receivables	–15.8	–1.4
Change in other assets	5.7	1.7
Change in liabilities (excluding financial liabilities)	5.1	12.8
Net gain/loss on disposal of long-term assets	–9.9	–2.4
Cash inflow from operating activities	77.8	84.7
Investments in intangible assets	–4.2	–0.9
Investments in property, plant and equipment	–24.6	–21.3
Investments in financial assets	–1.8	–0.4
Acquisitions of subsidiaries and other business units	–9.7	–16.7
Disposals of subsidiaries and other business units	0.3	3.6
Proceeds from the disposal of intangible assets	0.2	0.3
Proceeds from the disposal of property, plant and equipment	13.4	5.0
Proceeds from the disposal of financial assets	0.3	1.8
Cash outflow from investing activities	–26.1	–28.6
Free cash flow	51.7	56.1
Dividends paid	–14.6	–13.8
Changes in loan commitments	–58.5	–9.5
Changes in bank and leasing commitments	18.4	–34.1
Cash outflow from financing activities	–54.7	–57.4
Liquid funds as at January 1	27.6	29.4
Cash inflow from operating activities	77.8	84.7
Cash outflow from investing activities	–26.1	–28.6
Cash outflow from financing activities	–54.7	–57.4
Effect of currency translation	1.4	–0.5
Liquid funds as at December 31[1]	26.0	27.6
Details of the acquisition and disposal of subsidiaries and other business units [in € million]		
Total of all purchase prices[2]	9.7	16.7
Total of acquired liquid funds	0.0	0.0
Balance of acquired net assets[3]	2.8	8.0
Total of all sale proceeds[4]	0.3	3.6
Total of sold liquid funds	0.0	0.0
Total of sold net assets[5]	0.3	2.3

1 Liquid funds comprise total liquid resources of the Group. The taxes on income total €25.3 million (21.0). €14.5 million (19.1) was paid for interest. Interest payments received totaled €2.1 million (5.2).
2 All purchase prices were paid with liquid funds.
3 The acquired net assets were taken over with the acquisition of minority shares in FUCHS DO BRASIL S.A. and FUCHS OIL CORPORATION (SK) SPOL. SR.O., Slovakia.
4 All sale prices were provided with liquid funds.
5 The sold net assets refer to the 50 % share in FUCHS LUBRITECH JAPAN K.K. and POLO CITRUS AUSTRALIA PTY. LTD. each.

REGIONAL AND PRODUCT SEGMENTS

[in € million]	Europe 2005	Europe 2004	Europe Change	North and South America 2005	North and South America 2004	North and South America Change
Sales revenues by customer's location	722.6	668.4	54.2	229.9	204.3	25.6
Sales revenues by company's location	781.0	727.5	53.5	224.2	200.0	24.2
– thereof with other segments	20.0	22.9	–2.9	1.0	0.9	0.1
Scheduled depreciation[1]	14.5	17.5	–3.0	3.8	9.3	–5.5
Impairment loss[1]	4.5	2.8	1.7	0.0	0.0	0.0
Results accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0
Segment earnings (EBIT) excluding special effetcs	68.0	62.0	6.0	37.6	30.6	7.0
Segment earnings (EBIT)	75.6	60.3	15.3	37.6	25.3	12.3
Financial result						
Taxes on income						
Net profit after taxes						
Segment assets[3]	415.3	405.4	9.9	161.5	137.7	23.8
Segment liabilities[4]	142.3	138.5	3.8	30.0	20.3	9.7
Financial liabilities						
Pension provisions						
Liquid funds						
Group liabilities[5]						
Investments in property, plant and equipment and intangible assets[6]	23.8	24.8	–1.0	8.0	3.8	4.2
Employees (average numbers)	2,507	2,569	–62	618	611	7
Performance measure [in %]						
EBIT, adjusted for special effects, to sales revenues[7]	8.7	8.5		16.8	15.3	
EBIT to sales revenues[7]	9.7	8.3		16.8	12.7	

1 Related to property, plant and equipment, financial assets, intangible assets and goodwill.
2 The adjusted special effects are proceeds from the sale of land in 2005 in the amount of €7.6 million as well as scheduled goodwill amortization in 2004 still to be amortized in the amount of €8.6 million.
3 Including shares in investments accounted for using the equity method.
4 Non-interest bearing borrowed capital: trade liabilities, tax liabilities, other provisions and other liabilities.
5 Segment liabilities, financial liabilities, pension provisions, minus liquid funds.
6 Including additions due to change in the consolidated Group.
7 EBIT excluding results and impairment losses of investmens accounted for using the equity method, as their sales revenues are not included in Sales revenues by company's location.

[in € million]	Automotive oils 2005	Automotive oils 2004	Automotive oils Change	Industrial oils and specialties 2005	Industrial oils and specialties 2004	Industrial oils and specialties Change
Sales revenues by product group[1]	377.6	340.5	37.1	692.9	635.4	57.5
Segment assets[2]	206.9	184.8	22.1	418.8	403.7	15.1
Investments in property, plant and equipment and intangible assets[3]	8.5	8.4	0.1	23.0	21.9	1.1

1 The 2004 Sales revenues by product group have been changed to reflect the correct segment value of a foreign subsidiary.
2 Including shares in associated companies accounted for using the equity method.
3 Including goodwill and capital expenditure from additions through changes in the consolidated Group.

Asia-Pacific, Africa			Total for operating companies			Holding companies including consolidation			FUCHS PETROLUB Group		
2005	2004	Change	2005	2004	Change	2005	2004	Change	2005	2004	Change
239.7	223.6	16.1	1,192.2	1,096.3	95.9	0.0	0.0	0.0	1,192.2	1,096.3	95.9
207.6	192.3	15.3	1,212.8	1,119.8	93.0	–20.6	–23.5	2.9	1,192.2	1,096.3	95.9
0.0	0.0	0.0	21.0	23.8	–2.8	–21.0	–23.8	2.8	0.0	0.0	0.0
2.6	4.9	–2.3	20.9	31.7	–10.8	1.0	1.3	–0.3	21.9	33.0	–11.1
3.5	7.9	–4.4	8.0	10.7	–2.7	0.1	0.0	0.1	8.1	10.7	–2.6
0.8	–1.3	2.1	0.8	–1.3	2.1	0.0	0.0	0.0	0.8	–1.3	2.1
16.1	8.7	7.4	121.7	101.3	20.4	–0.5	–6.5	6.0	121.2	94.8	26.4
16.1	7.1	9.0	129.3	92.7	36.6	–0.5	–6.5	6.0	128.8	86.2	42.6
									–15.7	–18.8	3.1
									38.9	27.3	11.6
									74.2	40.1	34.1
105.2	92.8	12.4	682.0	635.9	46.1	9.3	–7.3	16.6	691.3	628.6	62.7
31.2	31.4	–0.2	203.5	190.2	13.3	43.0	28.9	14.1	246.5	219.1	27.4
									157.3	194.2	–36.9
									54.9	55.5	–0.6
									26.0	27.5	–1.5
									432.7	441.3	–8.6
2.4	3.4	–1.0	34.2	32.0	2.2	1.8	0.2	1.6	36.0	32.2	3.8
953	968	–15	4,078	4,148	–70	71	73	–2	4,149	4,221	–72
7.4	6.4		10.0	9.4					10.2	8.6	
7.4	5.6		10.6	8.6					10.8	7.9	

Other products			Total for operating companies			Holding companies including consolidation			FUCHS PETROLUB Group		
2005	2004	Change	2005	2004	Change	2005	2004	Change	2005	2004	Change
121.7	120.4	1.3	1,192.2	1,096.3	95.9	0.0	0.0	0.0	1,192.2	1,096.3	95.9
63.2	57.5	5.7	688.8	646.0	42.8	2.5	–17.4	19.9	691.3	628.6	62.7
4.4	1.7	2.7	35.9	32.0	3.9	0.1	0.2	–0.1	36.0	32.2	3.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
BASIS OF PREPARATION

General information

The consolidated financial statements of FUCHS PETROLUB AG, Mannheim, as of December 2005, have been prepared in accordance with the standards and interpretations as specified in the guidelines of the International Accounting Standards Board (IASB), London, to be applied within the EU, as applicable on the balance sheet date. All of the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS), and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), that were required for the 2005 financial year have been applied. From the application of additional standards and interpretations already adopted but not yet required to be applied as of the balance sheet date. The adoption of the new standards should have no material impact on the consolidated financial statements.

The currency used in this report is the euro (€). All amounts are stated in millions of euros (€ million), unless otherwise indicated. In order to simplify the presentation, some individual items have been grouped together in the balance sheet and the statement of income; however, these items are listed separately and explained in the notes.

Consolidated companies

Fundamentally, all German and international subsidiaries are included in the consolidated financial statements of FUCHS PETROLUB AG, Manheim, Germany. The year-end financial statements of the subsidiaries are prepared with the same balance sheet date as the consolidated financial statements (December 31). Each set of year-end financial statements has been examined by the auditors and provided with an unqualified auditor's opinion.

The financial results of certain subsidiaries that have no material effect upon the consolidated financial results of the Group have not been included in FUCHS PETROLUB's consolidated financial statements.

Companies acquired during the course of the financial year have been included with effect from the date of acquisition. Three affiliated companies which are managed jointly with other companies have been consolidated pro rata. The consolidated Group includes a total of 70 (76) companies.

In 2005 the scope of consolidation changed due to changes in the status of six fully consolidated companies: four companies were wound up, one company was disposed of and one company was merged within the Group.

In the reporting year, no new companies were included in the consolidated financial statements.

The main subsidiaries and associated companies are shown on page 113; a complete list of shareholdings pursuant to the provisions of the German Commercial Code (HGB) has been filed in the Commercial Register of the Mannheim District Court under the number, HRB 3762.

As in the previous year, the company ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia, has been included at equity.

One German and five international subsidiaries as well as five other shareholdings, which in aggregate have a negligible impact on the Group's assets, liabilities, financial position and earnings are not included.

Use was made of the exemption from the disclosure requirement for the following subsidiaries included in the consolidated financial statements:
WISURA MINERALÖLWERK GOLDGRABE & SCHEFT GMBH & CO., Bremen,
pursuant to Section 264b of the HGB, and for
BREMER & LEGUIL GMBH, Duisburg,
FUCHS EUROPE SCHMIERSTOFFE GMBH, Mannheim,
FUCHS FINANZSERVICE GMBH, Mannheim,
FUCHS LUBRITECH GMBH, Weilerbach and
PARAFLUID MINERALOELGESELLSCHAFT MBH, Hamburg,
pursuant to Section 264, Subsection 3 of the HGB.

Changes in the consolidated Group

The changes to the scope of consolidation as described above have no significant impact on the comparability of the Group's balance sheet and income statement to the previous year. The assets and the business operations of the unconsolidated companies were conveyed to the respective parent company so that within the Group no change resulted to the balance sheet and statement of income.

Consolidation principles

The capital consolidation for acquisitions prior to March 31, 2004 has been accounted for according to the regulations of IAS 22. For acquisitions after March 31, 2004, the principles of IFRS 3 apply. All company mergers are accounted for using the purchase method of accounting.

The assets and liabilities acquired before March 31, 2004 are assessed at the pro rata fair value. The positive difference between the acquisition costs and the portion of the net fair value will be stated as goodwill. For acquisitions after March 31, 2004, the inclusion of the acquired assets and liabilities occurs at the full fair value. The difference between the acquisition costs and the full fair value represents goodwill.

From the 2005 financial year, in accordance with IFRS 3, 55, there will be no further scheduled goodwill amortization. The recoverable amount of goodwill will then be calculated at least once each year according to the IAS 36 Goodwill Impairment Test. For the purpose of checking for a decrease in value, the goodwill will be assigned to the cash generating units. If the recoverable amount is lower than the carrying amount of the reporting unit, goodwill will be amortized in the income statement to the fair value or value in use. The process described for the impairment test is normally carried out at a subsidiary level. Fair value is determined based on discounted cash flows. Discount factors of 6.75 %, 8.0 %, and 12.0 % will be applied in order to reflect the different country risk profiles.

The corresponding consolidation principles apply for the joint ventures consolidated pro rata and the associated companies valued using the equity method.

Intercompany sales, expenses and income as well as receivables and liabilities between consolidated companies are netted off. Profits or losses from intercompany transactions are eliminated on consolidation. This does not apply to profits or losses which in total are of minor importance for forming a true and fair view of the Group's assets, liabilities, financial position and earnings.

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

Foreign currency translation

The translation of financial statements prepared in foreign currencies by consolidated companies is accounted for according to IAS 21 on the basis of the functional currency concept. The functional currency is the currency of the primary economic environment in which a company operates. All subsidiaries use their local currency as their functional currency. For the companies included in the consolidated financial statements, a foreign currency transaction will be valued in the functional currency and converted by the spot rate valid on the day of the business transaction. In the financial statements of FUCHS PETROLUB AG and its subsidiaries, assets and liabilities in foreign currencies are translated at the exchange rates on the balance sheet date. Any exchange rate gains or losses not yet realized on the balance sheet date are recognized in the statement of income.

For consolidation purposes, the financial statements of the subsidiaries prepared in a foreign currency have been translated to euros as follows:

Income and expense accounts at the average exchange rate, equity capital at historical exchange rates as well as assets and liabilities at the exchange rate of the balance sheet date. The resulting translation adjustments are recorded directly in shareholders' equity and will be included in income only upon sale or liquidation of the underlying investment. The values are listed in a separate column in the Statement of changes in shareholders' equity.

The currency differences resulting from the consolidation of intercompany debts are also recognized in the statement of income, and are included under the item of "other operating income and expenses".

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

Currency translation for the pro rata equity capital of associated companies has been performed at the respective exchange rates on the balance sheet date. Translation of the annual results concerned was carried out at the exchange rates on the balance sheet date or at the reference exchange rates specified by the European Central Bank. Dividend payments by associated companies have been translated at the exchange rate on the date of the distribution.

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

Closing rate [1 €]	31.12.2005	31.12.2004	Change in %
US dollar	1.184	1.364	+15.2
British pound	0.688	0.709	+3.0
Chinese renminbi yuan	9.563	11.306	+18.2
Australian dollar	1.623	1.750	+7.8
South African rand	7.495	7.731	+3.1
Polish zloty	3.863	4.091	+5.9
Brazilian real	2.761	3.631	+31.5
Argentinian peso	3.598	4.061	+12.9
Average annual exchange rate [1 €]	2005	2004	Change in %
US dollar	1.246	1.244	−0.2
British pound	0.684	0.679	−0.7
Chinese renminbi yuan	10.223	10.308	+0.8
Australian dollar	1.633	1.689	+3.4
South African rand	7.929	8.027	+1.2
Polish zloty	4.029	4.535	+12.6
Brazilian real	3.042	3.636	+19.5
Argentinian peso	3.650	3.678	+0.8

ACCOUNTING AND VALUATION METHODS

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

The primary assessment concept is the inclusion of historical purchasing or manufacturing costs. Reference is made to exceptions thereof under the relevant items.

The preparation of the consolidated financial statements in conformity with the IFRS principles requires management to makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Group's financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on experience values and on other factors, which are deemed to be applicable under the respective circumstances. Estimates are necessary for valuation, disclosure, and measurement of

- impairment loss and/or allowances,
- Pension provisions,
- Provisions for taxes and restructuring,
- The need for depreciation of inventories,
- feasibility of deferred tax assets.

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 accounted for in the year of correction and – if necessary – in any subsequent years.

Sales revenues

Sales revenues include revenues from ordinary business activities net of sales deductions and elimination of intra-group transactions. Sales revenues also include services from chemical management services. The date of realization is determined by the transfer of the risks and rewards of ownership to the customer at the time of rendering the service.

Cost of sales

Cost of sales includes the manufacturing costs associated with products sold as well as the purchase costs of merchandise sold. In accordance with IAS 2, it contains not only direct material and manufacturing costs, but also indirect production related overheads. These include depreciation of production buildings and equipment, write-downs of inventories, etc.

Selling and distribution expenses

Selling expenses include the costs of the sales departments and operations, advertising expenses, commission expenses, and shipping costs.

Administration expenses

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

Research and development expenses

Research and development costs are expensed as incurred since they do not meet the extensive preconditions of IAS 38 with regard to capitalization.

Financial result

Financing costs will be differentiated in the income statement and accounted for using the effective interest method Borrowing costs on purchased or manufactured assets shall not be capitalised (IAS 23).

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

Interest expense arising from pension obligations will be netted against the expected investment returns of the pension fund according to actuarial calculations and disclosed in the financial result.

Intangible assets

Acquired intangible assets are valued at the cost of acquisition in accordance with IAS 38. It must be determined whether the useful life of an asset is finite or indefinite. The useful life is indefinite if there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group.

Intangible assets with indefinite useful lives are not subject to scheduled amortization, but will undergo the impairment test every year. Intangible assets with limited useful lives will be subjected to scheduled amortization over their useful lifetimes using the straight-line method. For software and other intangible assets, a useful life of three to five years is scheduled within the Group. The amortization will be recorded in the statement of income under the department costs for manufacturing, administration, distribution, as well as research and development.

Property, plant and equipment

All items of property, plant and equipment are valued at their cost of acquisition or manufacture, reduced by scheduled depreciation. Straight-line depreciation is applied over the useful life of the property, plant and equipment. Low-value items are written off in the year of acquisition.

Scheduled depreciation is computed using the straight-line method on an individual basis over the following estimated useful lives:

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

Reductions in value for intangible assets and property, plant and equipment

The carrying value of long-term assets is evaluated whenever circumstances or events dictate in accordance with IAS 36. The recoverable amount of the assets are compared to their carrying values to determine whether any impairment exists. 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 loss no longer exists, the impairment is reversed up to its brought-forward depreciated or amortized cost of purchase or manufacture.

Leasing

Long-term assets also include leased assets. IAS 17 includes rules for determining, on the basis of the risks and rewards of the parties to a lease, whether the lessor or the lessee is the economic owner of the assets. In the case of finance leases, the assets are capitalised by the lessee and in the case of operating leases the assets are recorded by the lessor. In accordance with IAS 17, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments or else at the interest rate implicit in the lease. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. The payment obligations resulting from the future leasing installments are shown at their present values as other financial liabilities. The lease payments should be apportioned between the finance charge and the reduction of the outstanding liability.

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

Investments accounted for using the equity method and other financial assets

Associated companies are recorded in the balance sheet at the Group's share of the equity capital of the company. The Group's share of profits is shown as an addition in the schedule of long-term assets, reduced by dividend payments.

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

Loans are shown at the cost of acquisition or, in the case of non-interest-bearing loans, at their present value. Identifiable risks are taken into account by recognizing impairments.

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

Deferred taxes

In accordance with IAS 12, deferred taxes should be recognised for all taxable temporary differences between the tax base its IFRS carrying amounts at the consolidated companies and for consolidation measures with an effect on the income statement. Deferred tax assets essentially relate to tax effects on eliminated intercompany profits within the group, particularly in the category of inventories and to pension provisions. They also include tax credits and from unused tax losses to the extent it is probable that taxable profit will be available against which such deductible temporary differences can be utilised. Deferred tax liabilities mainly result from long-term asset depreciation differences between the Group's uniform depreciation rules and applicable tax laws. Furthermore, withholding taxes on planned dividend distributions are stated hereunder.

Deferred taxes are calculated on the basis of tax rates applicable on the date of realization pursuant to the legislation in the countries involved.

Inventories

Inventories are stated at the lower of cost or market value. The majority of inventory is valued using the weighted average cost method; however, the FIFO method is used in some cases. In accordance with IAS 2, manufacturing costs include materials and supplies that are consumed in production. In addition, all overheads related to the production process, taxes on consumption, and depreciation of production equipment are included. General administrative expenses and the expenses of company welfare institutions, voluntary welfare benefits and company pension plans as well as financing costs (IAS 23) are not included in the cost of manufacture.

Write-downs are effected to cover risks arising from slow-moving items or reduced saleability.

Receivables and other short-term assets

Receivables and other assets are stated at their cost of acquisition. Credit risks are taken into account by appropriate allowances. Individual allowances are recognized if receivables cannot be collected or if collection is unlikely. Non-interest-bearing receivables with terms of more than one year are discounted. Receivables in foreign currencies are translated at exchange rates on the balance sheet date.

Derivative financial instruments

The 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.

Pursuant to IAS 39, derivative financial instruments, such as the interest rate swaps and forward exchange transactions primarily used by the Group are recognised in the balance sheet at their fair market values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The valuation of these financial instruments is based on generally recognized evaluation models and mathematical processes (Black-Scholes, Heath-Jarrow-Morton, discounting method for unconditional transactions) on the basis of current market data.

As derivatives are used solely within the framework of risk limitation or hedging strategies, the regulations for hedge accounting can be applied provided that the measures are documented properly. In this respect, IAS 39 differentiates in particular between fair value hedges and cash flow hedges.

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

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

Liquid funds

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

This item also contains available-for-sale securities in insignificant numbers, which are stated at market values.

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

Provisions for pensions and similar obligations

The provisions for pensions are recognized using the projected-unit-credit method in accordance with IAS 19. This method covers not only the pensions and acquired entitlements known on the balance sheet date, but also future anticipated increases in pensions and salaries, with the relevant input factors being estimated. The calculation is based on actuarial expertise taking into account the relevant biometric factors.

Actuarial gains and losses are only recognized as income or expense when their net cumulative amount exceeds 10 % of the higher amount of pension obligations or plan assets. In this case, the portion exceeding 10 % is recognized over the expected average remaining working lives of the employees. The charges from forming the pension provisions in the amount of the current service expense are allocated to personnel expenses in the departments, whereby the interest portion is included in the financial result.

Other provisions

Other provisions are recognized when an obligation to third parties exists, an outflow of funds is probable (i.e., probability of occurrence greater than 50 %) and a reliable estimate can be made of the amount of the 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. Long term provisions with a remaining term of more than one year are discounted at usual market conditions to their present value at the balance sheet date.

Liabilities

Liabilities are stated in the balance sheet at their acquisition costs brought-forward. The valuation of liabilities in connection with derivatives (fair value hedge accounting) may deviate from this rule. These liabilities as well as the derivatives themselves are recorded at their fair values. Liabilities from finance leases are stated at the present value of the future lease payments and shown under “other financial liabilities”.

Adjustments

Effective January 1, 2005, the revised standard IAS 1 requires a modified balance sheet presentation. Certain reclassifications of prior years' data have been made to improve comparability. The effect is shown below on the liabilities section of the 2004 consolidated balance sheet:

	Liabilities in the balance sheet Dec. 31, 2004	
	before revision of IAS1	after revision of IAS1
Participation-right capital	51.1	0.0
Financial liabilities	143.1	0.0
Financial liabilities (long-term)	0.0	110.4
Financial liabilities (short-term)	0.0	83.8
Trade liabilities	103.5	103.8
Other liabilities	40.5	0.0
Other liabilities (long-term)	0.0	0.4
Other liabilities (short-term)	0.0	39.1
Other provisions	65.3	0.0
Other provisions (long-term)	0.0	7.5
Provisions (short-term)	0.0	42.0
Tax liabilities (short-term)	0.0	16.5

The reclassifications did not change the balance sheet total for 2004.

The amounts shown in the previous year under Liquid funds and securities have been reclassed to Liquid funds.

NOTES TO THE INCOME STATEMENT

(Amounts in € million, unless otherwise stated)

1 | Sales revenues

Sales revenues break down by product as follows:

	2005	2004	Change in %
Automotive lubricants	377.6	340.5	10.9
Industrial lubricants and specialties	692.9	635.4	9.0
Other products	121.7	120.4	1.1
	1,192.2	**1,096.3**	**8.7**

Other products include polishing technology, toll blending, chemical management, base oil trading and other miscellaneous activities.

The preceding year figures have been marginally adapted.

The development of revenues by region can be seen under segment reporting on pages 68 and 69.

2 | Cost of sales

	2005	2004
Cost of purchased raw materials, supplies and goods for resale	678.8	601.0
Cost of purchased services	3.2	4.6
Cost of materials	682.0	**605.6**
Personnel and other costs	85.4	83.0
	767.4	**688.6**

3 | Selling and distribution expenses

	2005	2004
Freight	49.5	46.3
Commission payments	23.9	21.9
Personnel and other costs	139.7	140.4
	213.1	**208.6**

4 | Other operating income and expenses

This item covers all operating expenses and income which cannot be allocated directly to the departmental units.

	2005	2004
Income from the disposal of fixed assets	10.0	2.7
Income from deconsolidation	0.0	1.4
Income from the reversal of provisions	3.6	3.9
Income from the reversal of write-downs	1.0	0.7
Income from cost allocations, commission payments, licenses and cost charging	1.3	1.1
Income from rents and leases	0.6	0.8
Currency exchange gains	3.3	2.7
Miscellaneous operating income	5.4	7.5
Other operating income	**25.2**	**20.8**
Losses from the disposal of fixed assets	0.1	0.5
Write-downs on receivables	4.1	5.2
Currency exchange losses	2.0	2.8
Expenses of renting fixed assets	0.2	0.5
Restructuring costs and severance payments	0.5	7.0
Impairments of goodwill	5.5	10.0
Miscellaneous operating expenses	4.3	6.1
Other operating expenses	**16.7**	**32.1**
Other operating income and expenses	**8.5**	**–11.3**

Income from the disposal of fixed assets mainly includes the sale of land no longer necessary for operation in Great Britain and Germany in the amount of €7.6 million.

Income from the reversal of provisions applies to risks such as in the area of reorganization, legal disputes, expected invoices and restructuring whose occurrence is no longer to be expected or in this amount is no longer to be expected.

Miscellaneous other operating income includes the sale of empty containers, subsidies, indemnification and other sales.

Restructuring costs and severance payments represent the estimated costs of restructuring primarily in Europe outside Germany.

The impairment write-offs exclusively relate to goodwill, which totals €5.5 million (10.0). Of that amount, €4.6 million (1.0) is from company financial statements and €0.9 million (9.0) from consolidation goodwill.

The remaining operating expenditures comprise the purchase costs of the other sales as well as the formation of provisions from the non-operative sector.

5 | Investment income

Investment income comprises the equity results from associated companies:

	2005	2004
Income from investments accounted for using the equity method	0.8	0.0
Loss from investments accounted for using the equity method	0.0	–1.3
Income from other participating interests	0.1	0.0
	0.9	–1.3

6 | Scheduled Goodwill amortization

	2005	2004
Goodwill amortization arising from		
– Company financial statements	0.0	2.6
– Consolidation	0.0	5.4
– Associated companies	0.0	0.6
	0.0	8.6

Effective with the 2005 financial year, in accordance with IFRS 3, 55, there will be no further scheduled goodwill amortization. The recoverable amount of goodwill will then be calculated at least once each year according to the regulations of IAS 36 Goodwill Impairment Test. Impairments of goodwill in the amount of €5.5 million will be accounted under other operating expenses in a separate item and the prior year amount of €10.0 million has been reclassified accordingly.

7 | Financial result

	2005	2004
Other interest and similar income		
– subsidiaries	0.0	0.0
– others (mainly banks)	2.1	5.2
Interest and similar expenses		
– subsidiaries	0.0	0.0
– remuneration for participating-right certificates	–3.7	–3.7
– Retransfer of interest rate hedging	–0.8	–1.4
– others (mainly banks)	–9.6	–13.9
Interest attributable to finance leases	–0.4	–0.5
Pension provisions		
– interest expense	–7.4	–7.1
– expected income from plan assets	4.8	4.1
Net interest income	–15.0	–17.3
Write-downs due to impairment of financial assets	–0.6	–0.7
Other financial income	–0.1	–0.8
Financial result	–15.7	–18.8

The interest component of additions to pension provisions of €–2.6 million (–3.0) is comprised of interest expense of €7.4 million (7.1) due to the increase in the present value of the pension obligation netted against the expected return on plan assets of €4.8 million (4.1).

8 | Taxes on income

The taxes on income represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. The calculation is based on the tax rates in effect on the balance sheet date in each individual country. The rates are based on the statutory regulations enacted by the taxation authorities.

	2005	2004
Current taxes	41.3	29.5
Deferred taxes	–2.4	–2.2
Total	**38.9**	**27.3**

The tax rate in Germany is based on the corporate income tax rate of 26.4 %, taking into consideration the solidarity surcharge of 5.5 %. Including the trade tax, the total tax burden is approximately 39 %.

The profits achieved by our companies outside Germany are taxed at the respective local rates. The tax rates applied in the various countries range from 12 % to 40.5 % .

For future tax deductions from the expected use of existing loss carryforwards, deferred taxes assets in the amount of €1.1 million were provided in the reporting year.

Tax assets and tax liabilities are offset on the balance sheet if they relate to the same tax authority and can be netted against each other.

The difference between the anticipated and recognised income tax expenses can be split up as follows:

	2005	in %	2004	in %
Earnings before taxes (EBT)	113.1		67.4	
Expected tax expense	44.1	39.0	26.3	39.0
Taxation rate differences	–7.0	–6.2	–5.7	–8.5
Goodwill amortization and other non-deductible items	1.1	1.0	8.6	12.8
Impairment of deferred tax assets	0.1	0.1	1.3	1.9
Tax-free income	–1.4	–1.2	–1.5	–2.2
Effect from tax losses for which no deferred tax assets had been provided	–1.0	–0.9	–2.6	–3.9
Expected use of tax loss carryforwards	–1.1	–1.0	0.0	0.0
Taxes for prior periods	3.6	3.2	0.2	0.3
Withholding taxes	1.5	1.3	0.9	1.3
Other	–1.0	–0.9	–0.2	–0.3
Actual tax expense	**38.9**	**34.4**	**27.3**	**40.5**

The Group's comparable tax rate, excluding goodwill amortization, was 35.9 % in the prior year.

€0.6 million (1.0) of deferred taxes were accrued directly to equity capital. This was mainly due to the change in market value of the cash flow hedges.

9 | Minority interests

Total profits due to third parties amounted to €1.0 million (1.1). Of this amount, €0.2 million relate to the German minority interests, and €0.8 million to associates in Brazil and Austria. During 2005, Fuchs Petrolub AG acquired the remaining minority interests in the Brazilian and Slovakian companies, thereby increasing the shareholding to 100 %.

10 | Earnings per share

	2005	2004
Earnings after minority interests	**73.2**	**39.0**
Earnings per ordinary share in euros		
Earnings per share	3.08	1.62
Earnings per share without special effects	2.80	1.99
Weighted number of ordinary shares	11,790,000	11,790,000
Earnings per preference share in euros		
Earnings per share	3.14	1.68
Earnings per share without special effects	2.86	2.05
Weighted number of ordinary shares	11,790,000	11,790,000

Pursuant to IAS 33, the additional dividend of €0.06 per share to be distributed to the preference shareholders is allocated in advance. The remainder of the Group's net profit after minority interests is allocated to both share types equally.

For comparative purposes, prior year figures have been restated to reflect the number of shares resulting from the share split of June 22, 2005 (share split 1:3).

In the reporting year, profits from the sale of land no longer required of €6.4 million (after taxes) and scheduled goodwill amortization of €8.6 million in the previous year, were recorded as special effects.

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

11 | Other taxes

	2005	2004
	7.0	7.3

The figures shown relate to non-income taxes of the Group's companies abroad, which are included in cost of sales, administrative expenses, selling expenses and research and development expenses.

12 | Personnel expenses/employees

Personnel expenses	2005	2004
Wages and salaries	148.2	147.5
Social security costs and expenses for pensions and similar obligations	26.2	26.0
– thereof, for pensions	5.3	4.3
	174.4	173.5

Pension expense does not include the interest expense from pension provisions included in the net financial result, totaling €7.4 million (€7.1 million), nor does it include income from plan assets for financing pension obligations.

Employees [annual average]	2005	2004
Salaried staff	2,754	2,783
Wage earners	1,395	1,438
	4,149	4,221

The average number of persons employed by the companies proportionally consolidated is 44 (44).

NOTES TO THE BALANCE SHEET

(Amounts in € million, unless otherwise stated)

13 | Long-term assets

Long-term assets include intangible assets, property, plant and equipment, investments accounted for using the equity method and other financial assets for balance sheet purposes. The 2005 activity is shown in the schedule of changes in long-term assets on pages 64 and 65.

The company leases certain assets under finances leases that have been included in property, plant and equipment. This essentially relates to an office building in Mannheim and a production building in Haan with a total book value of €7.2 million. Purchase options exist after expiration of the lease agreements in the years 2011 and 2020, respectively.

In addition, leased vehicles and computer equipment totaling €0.1 million and €0.6 million respectively, are included in Technical equipment and machinery.

As a result of impairment testing done, as described in the Consolidation principles section, €2.0 million of land and buildings related to two subsidiaries has been depreciated.

14 | Intangible assets

Goodwill from	Company financial statements	Capital consolidation	Total
Historical acquisition cost			
Balance on January 1, 2005	53.8	125.9	179.7
Accumulated amortization as of January 1, 2005	–26.0	–75.0	–101.0
Currency translation differences	3.0	0.4	3.4
Additions	3.6	3.6	7.2
Disposals/changes in consolidated Group	–0.1	0.0	–0.1
Balance on December 31, 2005	**34.3**	**54.9**	**89.2**
Accumulated amortization			
Balance as of January 1, 2005	–26.0	–75.0	–101.0
Balanced netted with acquisition costs	26.0	75.0	101.0
Goodwill impairments	–4.6	–0.9	–5.5
Balance on December 31, 2005	**–4.6**	**–0.9**	**–5.5**
Book value at Dec. 31, 2005	**29.7**	**54.0**	**83.7**

According to IFRS 3, goodwill is an intangible asset with an indefinite useful life. Effective January 1, 2005, goodwill will no longer be amortized according to schedule, but will be subject to annual impairment tests under the provision of IAS 36. Impairment losses will be recognised off in the year they are identified. The accumulated amortization at December 31, 2004 will be netted against the historical acquisition costs in accordance with IFRS 3.79 b.

Goodwill totals €83.7 million (78.7). Of that amount, €54.0 million (50.9) relates to the capital consolidation and €29.7 million (27.8) to the financial statements of the subsidiaries. The 2005 impairment losses amounted to €5.5 million (7.6) and relate to the goodwill of four companies in Europe and Australia in equal amounts.

Industrial property rights and similar values

Intangible assets also comprise industrial property rights and similar lists values. These are capitalised licenses for computer software as well as acquired customer lists and patents. The total amount of these rights and values totals €5.9 million (3.3).

15 | Investments accounted for using the equity method

Investments in associated companies are accounted for under the equity method. In the equity evaluation, the calculation of the pro rata equity capital was done on the financial statement basis according to local law that has been adapted to the requirements of the IFRS. The summarized financial information of the associated company is as follows:

[in €]	Dec. 31, 2005
Total assets	39.5
Total liabilities	29.1
Sales revenues	104.5
Net profit	2.5

16 | Other financial assets

This item includes shares in non-consolidated associated companies, investments as well as loans to subsidiaries, long-term securities and other loans. The detail can be found in the statement of changes in long-term assets on pages 68 and 69.

17 | Deferred taxes

The deferred taxes provided for in the balance sheet result from the following differences in evaluation or circumstance:

	Deferred tax assets		Deferred tax liabilities		Net	
	2005	2004	2005	2004	2005	2004
Property, plant and equipment	1.5	1.6	–13.1	–8.6	–11.6	–7.0
Other long-term assets	1.3	1.4	–1.8	–1.4	–0.5	0.0
Inventories	4.0	2.6	–0.3	0.0	3.7	2.6
Other short-term assets	1.6	1.4	–0.9	–0.1	0.7	1.3
Long-term provisions	7.0	3.6	–1.0	–0.8	6.0	2.8
Financial liabilities	2.0	0.7	–0.1	–0.6	1.9	0.1
Short-term provisions and liabilities	4.0	3.4	–2.2	–1.3	1.8	2.1
Expected use of loss carryforwards	1.1	0.0	0.0	0.0	1.1	0.0
Sum of deferred taxes asset/liability	**22.5**	**14.7**	**–19.4**	**–12.8**	**3.1**	**1.9**
Tax offset	–7.5	–3.0	7.5	3.0	0.0	0.0
Total assets/liabilities	**15.0**	**11.7**	**–11.9**	**–9.8**	**3.1**	**1.9**

The total amount shown for deferred tax assets of €15.0 million (11.7) is attributable to valuation differences between the IFRS balance sheet and the tax balance sheet relative to inventories (elimination of intercompany profits), pensions and other provisions. The deferred tax liabilities principally arise from temporary differences in valuation between the IFRS balance sheet and the tax balance sheet of long-term assets. In addition, finally expected dividend distributions from abroad included in measuring long-term deferred tax liabilities.

Deferred tax assets from the expected use of existing loss carryforwards are estimated to be €1.1 million. Losses carryforwards, for which no deferred tax was provided, total €20.5 million (28.7) within the Group. They predominantly exist in European companies and Germany.

The change in the net amount of deferred taxes is €1.2 million compared to the previous year. This change includes the fair values of the financial instruments of €0.6 million which is no recognised in the income statement as well as deferred taxes from acquisitions included in the shareholders equity. Taking into consideration the currency exchange effects, the deferred tax income in the income statement amounts to €2.4 million.

18 | Inventories

Inventory write-offs totaling €2.9 million (1.4) are recognised in the statement of income due to reduced saleability. Inventories comprise the following:

	Dec. 31, 2005	Dec. 31, 2004
Raw materials and supplies	69.7	55.8
Work in progress	9.2	7.5
Finished goods and merchandise	85.5	75.5
	164.4	138.8

19 | Trade receivables

	Dec. 31, 2005	Dec. 31, 2004
Receivables due from affiliated companies	0.3	0.2
Receivables due from associated companies	0.3	0.2
Receivables due from other companies	198.0	174.7
	198.6	175.1

In the year under review, €4.1 million (5.2) of write-downs and impairments of receivables were recognized, and income from the reversal of impairments amounted to €1.0 million (0.7). Trade receivables include impairments totaling €13.0 million (11.6) reflecting recognizable risks.

20 | Tax receivables

These are tax refund claims from Italian, Belgian and German taxes on profits.

21 | Other receivables and other assets

	Dec. 31, 2005	Dec. 31, 2004
Receivables due from affiliated companies	0.0	0.0
Receivables due from associated companies	0.0	0.0
Receivables due from participation interests	0.1	0.3
Fair value of derivative financial instruments	0.1	6.0
Tax receivables	2.1	0.6
Miscellaneous assets	24.7	25.2
	27.0	32.1

The Group's Other assets include customer loans amounting to €14.4 million in connection with delivery agreements in France. Moreover, the item contains rental, creditors with debit balances, accruals and deferrals, as well as other customer loans and receivables from other sales.

The tax refund claims from taxes on income (1.0) contained in the previous year were reclassified to Tax assets in accordance with IAS 1.

22 | Liquid funds

Liquid funds of €26.0 million (27.6) comprise cash at banks with a maturity of less than three months, checks and bills of exchange not yet presented, and cash in hand.

23 | Shareholders' equity

Subscribed capital

The amount of the subscribed and fully paid capital of FUCHS PETROLUB AG remained unchanged during the financial year.

In accordance with the resolution of the Annual Shareholders' Meeting of May 24, 2005, the capital stock was split; one ordinary share was replaced by three ordinary shares and each preference share was replaced by three preference shares (share split 1:3).

Balance at Dec. 31, 2005	70.7

Consisting of

11,790,000 ordinary shares	à €3	=	€35,370,000
11,790,000 preference shares	à €3	=	€35,370,000

The shares of FUCHS PETROLUB AG are bearer shares. Each ordinary share grants one vote in the shareholders' meeting. The preference shares have no voting rights, except in cases prescribed by law. Under the articles of incorporation, each preference share receives a premium of €0.06 per share compared to an ordinary share.

The authorized capital is unchanged at €35.4 million (capital I). The authorized capital I has a maturity date up to June 8, 2009. In the 2005 financial year, no use was made of the resolution by the Annual Shareholders' Meeting of June 9, 2004.

A resolution was passed at the May 24, 2005 Annual Shareholders' Meeting to issue 1,179,000 bearer ordinary shares and/or non-voting preference shares in order to raise additional capital of up to €7.1 million. This resolution will only be executed if options or convertible bonds are issued and only if the bearers of options or convertible bonds will exercise this option. In the 2005 financial year, no options or conversion rights were exercised; therefore, no corresponding debt instruments were issued.

Group reserves

The capital reserves of FUCHS PETROLUB AG (agio) and the unappropriated profit and currency reserves of the companies included in the consolidated financial statement are listed under this item. The unappropriated profits contain the results achieved in the past, to the extent they were not distributed. Moreover, the differences from the capital consolidation of the subsidiaries consolidated by December 31, 1994 were netted off here. The differences from the currency translation of the accounts of foreign subsidiaries and the effects from the evaluation of financing instruments after taxes which both not effects the income statement are shown in the currency reserves.

The net profit is not included in the Group reserves, but is shown in Group profits.

The changes in reserves in the 2005 financial year is shown in the statement of changes in shareholders' equity on page 66.

Group profits

The Group's profits correspond with the Group's net profit after taxes and after minority interests.

FUCHS PETROLUB AG profit appropriation proposal

The Executive Board will recommend to the Supervisory Board that it presents the following dividend proposal at the 2006 Annual Shareholders' Meeting: €0.61 per ordinary share and €0.67 per preference share plus an anniversary bonus of €0.10 per share for both share types.

Minority interests

This item includes the part of the shareholders' equity held by third parties and their respective part of earnings of the consolidated subsidiaries. €0.5 million (0.4) is attributable to associates in Germany and €0.7 million (3.5) to associates in Austria.

24 | Pension provisions

Pension provisions are recognized for obligations arising from vested rights to future pension payments and from ongoing benefits paid to former employees of the FUCHS PETROLUB Group and their surviving dependants. Within the group, the pension plans are financed by provisions and investments. There are defined contribution and defined benefit pension plans. A defined benefit plan is provided for the majority of employees of the domestic group companies. These benefits are regularly determined according to the duration of employment and remuneration and are financed by provisions. Pension plans of foreign group companies are in some cases based on defined contribution arrangements, but are predominantly fund-financed with defined benefit commitments.

The provisions recognized in the balance sheet are calculated in conformity with IAS 19, using actuarial assumptions for valuations. The present value of the defined benefit obligation is determined by using the Projected Unit Credit Method. Besides the basic biometric data and the current long-term capital marked interest rate, assumptions on future salary and pension increases are also factored in. For the basic biometric data, the guideline tables (2005 G) prepared by Prof. Dr. Klaus Heubeck are used in Germany.

[in %]	2005	2004
Discount rate	4.25	5.00
Salary level trend	3.0	3.0
Pension level trend	1.8	1.8

The obligations of foreign group companies are determined according to the country specific accounting regulations and parameters involved, using discount factors of 1.5 % to 10.0 % (on average 4.3 %), salary trends of 2.5 % to 8.0 % (on average 2.8 %) and pension trends of 1.8 % to 2.8 %. The anticipated interest rate on plan assets ranged from 6.1 % to 8.75 %.

The following table set forth the amounts recognized in the Company's financial statements and the plans' funded status:

Financial statements	Dec. 31, 2005	Dec. 31, 2004
Present value of pension benefits covered by provisions	59.6	54.1
Present value of funded pension benefits	100.9	83.8
Fair value of plan assets	76.7	64.5
Net obligation	83.8	73.4
Actuarial gains (+) and losses (–)	–29.3	–18.2
Similar obligations	0.4	0.3
Balance-sheet value at December 31	**54.9**	**55.5**
Amount not recognized as an asset because of the limit in IAS 19.58	0.0	0.0

Plan assets consist solely of financial assets. The actual rate of return on fund assets amounted to 13.0 % (7.9).

Actuarial gains and losses are only recognised in income or expense if their cumulative amount exceeds 10 % of the highes of obligations or fund assets. In this case, the portion exceeding 10 % is recognised over the average remaining working lives of the relevant employees.

Pension expense for the Group totaled €6.9 million (6.9) and following are the components of net periodic pension cost:

	2005	2004
Current service cost	3.0	2.6
Interest expense	7.4	7.1
Expected return on plan assets (–)	– 4.8	– 4.1
Actuarial gains and losses	0.8	0.8
Past service costs	0.0	0.1
Effects of plan settlements	0.0	– 0.1
Expenses for defined benefit pension plans	6.4	**6.4**
Expenses for defined contribution pension plans	0.5	0.5
Total pension expense	6.9	**6.9**

Pension expense has been recorded in the income statement as follows:

Pension expense	2005	2004
Cost of sales	0.5	0.7
Research and development expenses	0.2	0.2
Selling and distribution expenses	0.9	1.1
Administrative expenses	2.6	1.9
Other operating income	0.0	0.0
Other operating expenses	0.1	0.0
Financial result	2.6	3.0
	6.9	**6.9**

The detail of amounts reported in the consolidated balance sheet is shown below:

Net obligation	2005	2004
Balance at January 1	55.5	57.0
Addition due to change in the consolidated group	0.0	0.0
Pension expenses	6.9	6.9
Benefits paid and transfers made to external funds	–7.5	– 8.4
Balance at December 31	54.9	**55.5**

25 | Other long-term provisions

This item includes part-time working arrangements for older employees. Such obligations exist only within Germany. They are valued on the basis of actuarial reports and discounted because of their long-term structure. The discount factor is 4.0 % (5.5). A provision of €7.9 million (7.5) has been made. 2005 additions totaled €0.6 million.

In 2004, part-time working arrangements for older employees were classified under obligations for personnel and social expenses within the 'Other provisions' group. As the result of IAS 1 revisions, and effective January 1, 2005, this item has been reclassified to Other long-term provisions. The prior year data has been restated to reflect the change.

26 | Long-term financial liabilities

Long-term financial liabilities include interest-bearing liabilities of the FUCHS PETROLUB Group with a maturity of greater than one year. They are comprised as follows:

	Dec. 31, 2005	Dec. 31, 2004
Participation-right certificates	51.1	51.1
Liabilities to banks	9.6	52.9
Other financial liabilities	5.8	6.4
	66.5	110.4

As a result of a resolution by the Annual General Meeting on July 2, 1998, a nominal total of €51.1 million (equivalent to DM 100 million) bearer participation-right certificates were issued by FUCHS PETROLUB AG in August 1998. The issue price was 100 % and the dividend rate was set at 7.29 % per annum. The term of the participation-right certificates ends on December 31, 2007. Repayment will take place on the first bank working day after the 2008 Annual Shareholders Meeting, however, not before August 1, 2008. The participation-right certificates with securities identification number 551831 have been admitted for official trading at the stock exchange.

No collateral securities have been given for bank liabilities.

Other financial liabilities include the finance lease obligations of €5.8 million (€6.4 million), mainly for two buildings. This liability represents the present value of payment obligations resulting from future leasing installments. The corresponding nominal minimum lease payments amount to €8.5 million (9.0). The minimum lease payments have been discounted using interest rates ranging between 3.0 % 11.0 % (average 4.13 %).

Scheduled maturities of the above long-term financial liabilities are as follows:

2007	9.8
2008	52.0
2009	0.4
2010	0.4
after 2010	3.9
	66.5

27 | Trade payables

Trade payables are considered current liabilities as they are generated during business operations and are expected to be settled within the Company's normal operating cycle or within twelve months. They are generally shown at their nominal value. Liabilities in foreign currencies are translated at the exchange rate on the balance sheet date.

	Dec. 31, 2005	Dec. 31, 2004
Trade liabilities	109.5	95.1
Bills payable	10.7	7.9
Liabilities to companies in which shares are held	0.0	0.0
Liabilities to subsidiaries and associated companies	0.1	0.5
Advance payments received	0.1	0.3
	120.4	103.8

28 | Short-term provisions

Short-term provisions consisted of the following:

	Dec. 31, 2005	Dec. 31, 2004
Obligations for personnel and social expenses	21.7	19.0
Obligations for ongoing operational expenses	4.7	3.6
Other obligations	13.4	19.4
	39.8	42.0

The obligations arising from personnel and social expenses mainly relate to provisions for ex gratia payments, profit-sharing schemes, commissions, entitlement to holiday, bonuses and premiums for the employers' liability insurance association.

The obligations arising from ongoing operating expenses include provisions for credit notes, bonuses, discounts, warranties, and costs for annual financial statements and consultancy services.

Other obligations include provisions for restructuring and reorganization amounting to €4.2 million (10.2). Furthermore, the figure includes provisions for impending losses from open contracts, contract risks, contribution obligations and returnable container deposits.

Changes to short-term provisions during the year are detailed below:

	Dec. 31, 2004	Currency exchange differences	Changes in the consoli-dated group	Additions	Utilizations	Retransfers	Dec. 31, 2005
Obligations for personnel and social expenses	19.0	1.0	0.0	26.4	23.7	1.0	21.7
Obligations for ongoing operating expenses	3.6	0.1	0.0	4.9	3.5	0.4	4.7
Other obligations	19.4	0.4	−0.1	13.4	17.5	2.2	13.4
	42.0	**1.5**	**−0.1**	**44.7**	**44.7**	**3.6**	**39.8**

	Dec. 31, 2003	Currency exchange differences	Changes in the consoli-dated group	Additions	Utilizations	Retransfers	Dec. 31, 2004
Obligations for personnel and social expenses	18.4	−0.4	0.0	24.3	22.6	0.7	**19.0**
Obligations for ongoing operating expenses	5.9	0.0	0.0	3.7	4.9	1.1	**3.6**
Other obligations	15.0	−0.2	−0.1	16.3	9.5	2.1	**19.4**
	39.3	**−0.6**	**−0.1**	**44.3**	**37.0**	**3.9**	**42.0**

Interest has not been accrued for any short-term provisions.

29 | Short-term tax liabilities

The revised IAS 1 balance sheet classification specifies that effective January 1, 2005 Tax liabilities must include tax provisions for tax on profits that were previously included under Other Provisions. This item includes total liabilities for tax on profits of €31.2 million (16.5).

30 | Short-term financial liabilities

All interest bearing obligations of the FUCHS PETROLUB Group with a maturity of up to one year are shown under short-term financial liabilities. They comprise:

	Dec. 31, 2005	Dec. 31, 2004
Bonds	0.0	58.5
Liabilities to banks	90.0	24.7
Other financial liabilities	0.8	0.6
	90.8	**83.8**

The bonds are fixed interest bonds issued by FUCHS PETROLUB FINANCE B.V., Amsterdam, and the Netherlands on May 24, 2000 (6.375 %). The volume of the bond issue was €100.0 million at an issue price of 99.63 %. Due to the Group's liquidity, the issuer reacquired €34.0 million and €8.0 million in 2003 and 2004, respectively. The bonds were redeemed on June 14, 2005.

Other financial liabilities include liabilities rendered from finance leases that are due within one year. Amounts due after one year are shown and explained under long-term liabilities (item 26).

31 | Other short-term liabilities

The following is a breakdown of other liabilities:

	Dec. 31, 2005	Dec. 31, 2004
Fair value of derivative financial instruments	1.8	3.3
Social security	4.6	4.4
Employees	5.2	6.0
VAT liabilities	4.5	5.1
Other tax liabilities	4.0	3.2
Miscellaneous other liabilities	13.9	17.1
	34.0	39.1

Other tax liabilities include excise taxes, payroll taxes, etc.

Miscellaneous other liabilities include financing liabilities of €5.5 (5.7) million related to the delivery agreements in France that are shown under other assets. Also included is the participation-rights remuneration of €3.7 million due on August 1, 2006, commission obligations, customers' accounts in collection, prepaid income, and accrued expenses.

32 | Joint ventures

Joint ventures consolidated pro rata are included in the consolidated financial statements with the following values:

	2005	2004
Long-term assets	3.1	2.9
Inventories and receivables	5.0	5.2
Other short-term assets	1.8	1.9
Assets	**9.9**	**10.0**
Shareholders' equity	5.8	4.8
Long-term liabilities	0.2	0.6
Short-term liabilities	3.9	4.6
Capital and liabilities	**9.9**	**10.0**
Income	28.9	27.6
Expenses	27.4	26.5

33 | Contingent liabilities and other financial obligations

Contingent liabilities and other financial obligations were as follows:

Contingencies	Dec. 31, 2005	Dec. 31, 2004
Bills of exchange	0.1	0.1
Guaranties	1.6	0.0
– thereof in favor of subsidiaries	0.0	0.0
– thereof in favor of joint ventures or companies in which shares are held	1.6	0.0
Securing third-party liabilities	11.4	12.9

The item 'Securing third-party liabilities' refers to so-called "garagiste" loans. Under this business model, which is common in France, our subsidiary guarantees repayment of loans granted directly by the bank to our contracting partner. This guarantee is part of our supply and financing agreements with our partners.

Leasing agreements

The Group utilises leased facilities and equipment in a portion of its operations. Total rental expense for the year ended December 31, 2005 was €11.9 million (€11.3).

The Company's minimum rental payments required under non-cancelable operating lease commitments are as follows:

	Dec. 31, 2005 Operating leases	Dec. 31, 2004 Operating leases
Up to 1 year	10.2	9.8
1 to 5 years	16.7	12.8
More than 5 years	13.5	12.6
Total of minimum leasing payments	40.4	35.2

The highbay warehouse contract expires in 2014; however, there is an option to buy as well as a contract renewal clause.

In addition to the operating lease obligations, there were other financial obligations (IT-maintenance etc.) that totaled €0.4 million (€0.6 million).

34 | Financial instruments

The Fuchs Petrolub AG Group Treasury is solely responsible for controlling the application of, and the competencies for, applying derivative financial instruments. 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. Further, all derivative transactions are concluded with banks carrying a Moody's long-term rating in the investment sector (Baa 1 and higher). Through these processes, the default risk by contracting parties (credit risk) is minimized.

Following are the derivative financial items, broken down by residual term:

	Dec. 31, 2005				Dec. 31, 2004			
	Up to 1 year	1 to 5 years	More than 5 years	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
Interest-rate swaps	7.6	24.3	–	31.9	40.6	46.7	–	87.3
Interest-rate and currency swaps	–	–	–	–	20.7	–	–	20.7
Forward currency transactions	22.6	–	–	22.6	28.9	–	–	28.9
Nominal volume of derivatives	30.2	24.3	–	54.5	**90.2**	**46.7**	**–**	**136.9**

The nominal volume is the total of all buying and selling amounts of the interest rate and currency derivatives. The nominal amounts generally correspond with the volumes of the underlying hedged transactions.

The existing interest rate swaps serve to secure our financing and interest rate strategy. Therefore, the Group utilizes swap agreements from variable to fixed interest rates as well as fixed to variable interest rates. Due to the reduced borrowing requirements in 2005, the Group was able to adjust the interest rate structure by rescinding existing derivative agreements.

Derivatives employed by the FUCHS PETROLUB Group are exclusively fair value hedge contracts. The interest rate swaps mainly serve to protect future cash flows (cash flow hedge). Changes in the market value of our cash flow hedges are reflected in shareholders' equity, as the congruence of the underlying transactions and the hedging transactions is high (the derivatives are effective).

On the reporting date there were no forward exchange transactions to secure future (anticipated) transactions.

Insofar as fair value hedges are used, i.e., pure hedging of a value change in an asset or liability, the change in the derivative's market value is included in the statement of income and the asset or liability is assessed at market value.

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

Market value as of Dec. 31, 2005 **Instruments**	Nominal value	Market value (net)	Recognised in the income statement	Recognised in the equity capital
Interest-rate swaps	31.9	–1.7	–0.7	–1.0
Interest-rate and currency swaps	–	–	–	–
Forward currency transactions	22.6	–	–	–
Total derivatives	**54.5**	**–1.7**	**–0.7**	**–1.0**

Market value as of Dec. 31, 2004 **Instruments**	Nominal value	Market value (net)	Recognised in the income statement	Recognised in the equity capital
Interest-rate swaps	87.3	–2.6	0.0	–2.6
Interest-rate and currency swaps	20.7	+3.3	+3.3	0.0
Forward currency transactions	28.9	+0.6	+0.6	0.0
Total derivatives	**136.9**	**+1.3**	**+3.9**	**–2.6**

The current market value was partially recognized in the income statement 2004 and the remainder in 2005.

Evaluation of cash flow hedges at market value results in a negative difference of €1.0 million, which has been recognised in shareholders' equity.

In the 2005 financial year, cash flow hedge transactions (formerly recognised under shareholders' equity) with a nominal volume of €11.5 million (€24.7) were terminated prior to maturity. The 2005 financial result, therefore, includes a charge of €0.8 million (€1.4 million).

Risk of interest rate movements of financial liabilities

The company's financial liabilities (cf. items 26 and 30) were partially restructured within the scope of interest rate management using the derivatives described. Through the use of derivates, the funds repaid from the bond issue in June 2005, took on the nature of time deposits. The same applies to a portion of the loans against borrower's note. No securities were posted – with the exception of the finance leasing transactions.

	Effective interest rate	Fixed interest rate	Book value Dec. 31, 2005	Book value Dec. 31, 2004
EUR time deposits	Euribor plus markup	< 1 year	11.3	29.2
GBP time deposits	Libor plus markup	< 1 year	24.8	31.1
USD time deposits	Libor plus markup	< 1 year	8.1	16.4
AUD time deposits	Libor plus markup	< 1 year	7.3	3.0
Time deposits in other currencies	respective variable interest rates	< 1 year	13.4	11.8
AUD fixed rate loans	Fixed rate 6.2 %	2006	1.5	1.5
USD fixed rate loans	Fixed rate 5.0 %	2006	5.1	4.4
USD fixed rate loans	Fixed rate 6.0 %	2006	4.6	3.7
USD fixed rate loans	Fixed rate 5.4 %	2007	8.0	0.0
EUR finance leasing	Fixed rate 6.5 %	2007	1.5	1.6
EUR note loans	Fixed rate 6.6 %	2008	16.6	36.0
EUR participation-right certificates	Fixed rate 7.0 %	2008	51.1	51.1
EUR finance leasing	Fixed rate 6.5 %	2011	4.0	4.4
Total financial liabilities			157.3	194.2

Summary of interest rate hedging periods:

Interest rate hedging periods	2005 € million	2005 %	2004 € million	2004 %
up to 1 year	76.1	48.4	91.5	47.1
1 to 5 years	77.2	49.1	98.3	50.6
more than 5 years	4.0	2.5	4.4	2.3
	157.3	100	194.2	100

Financial liabilities by currency:
Taking into consideration the effects of derivatives with a currency component, the financial liabilities are structured as follows

	2005 € million	2005 %	2004 € million	2004 %
Euro	86.0	54.7	122.4	63.0
US dollar	25.8	16.4	24.5	12.6
British pound	24.8	15.8	31.1	16.0
Australian dollar	7.3	4.6	4.5	2.3
Other currencies	13.4	8.5	11.7	6.1
	157.3	100	194.2	100

35 | Notes on the statement of cash flows

The statement of cash flows shows how the liquid funds of the FUCHS PETROLUB Group have changed in the course of the year as a result of cash inflows and outflows. In accordance with IAS 7 (Cash Flow Statements), cash flows are classified into cash flows from, or into, operating, investing and financing activities.

Cash and cash equivalents as shown in the statement of cash flows comprise the liquid funds recognised in the balance sheet.

The gross cash flow and the cash flow from operating activities are indirectly calculated from net profit after tax. With this method, the underlying changes in balance sheet items are adjusted for currency translation effects and for changes in the consolidated group. These changes in the balance sheet items, therefore, do not agree with the amounts shown in the balance sheet. The cash flows from/into investing and financing activities are determined on the basis of actual payments.

Gross cash flow for the previous year has been restated to reflect the revised structure of the statement of cash flows.

Of the liquid funds at December 31, 2005, €1.6 million (€1.6 million) is from pro rata consolidated companies.

36 | Notes on the segment reporting

Segment reporting is according to the geographical regions reflecting the FUCHS PETROLUB Group's internal organization and internal reporting structure. In accordance with the provisions of IAS 14 (Segment Reporting), this structure is oriented towards internal management and reporting and takes into consideration the various risk and earnings structures of the business divisions. Accordingly, the primary reporting format are the regions. These are defined as Europe, North and South America, and Asia-Pacific, Africa. The individual companies are allocated to the segments according to the regions in which they are located.

The segment assets of the Asia-Pacific, Africa region include associated companies with book values of €3.7 million (2.4).

The secondary segment information reflects the Group's product segments, i.e. a) automotive lubricants, b) industrial lubricants and specialties, and c) other products. Automotive lubricants consists mainly of engine oil, gear oil and shock-absorber fluid. Industrial lubricants and specialties comprise metal-working fluids, corrosion protection, hydraulic and industrial gear oils, lubricating greases and other specialties. Other products include polishing technology, toll blending, chemical management, base oil trading and other activities.

The segment information is fundamentally based on the same accounting and valuation methods as the consolidated financial statements. Receivables and liabilities, income and expenses, and profits between the segments are eliminated in the consolidation process. The reconciliation of segment data to the total amounts for the Group is shown in the column "Holding companies including consolidation". This includes not only the depreciation, earnings, assets and liabilities of the Group companies, but also the inter-segment eliminations with regard to sales revenues.

Intra-group revenues and transfers are transacted at prices and terms of independent business partners.

Segment data includes direct segment costs as well as indirect costs to varying degrees. The assets of the product segments are solely determined via indirect allocation. The prior year sales revenues by product groups have been restated to reflect corrections made by a subsidiary.

The segment assets and segment liabilities include only those assets and liabilities that have contributed towards the achievement of the segment earnings before interest and taxes (EBIT).

The segments' overall performance is presented in the financial report on page 68 and 69.

Relationships with related parties

The related parties of the FUCHS PETROLUB Group as defined according to IAS 24 are:
- direct and indirect held subsidiaries, joint ventures and "at equity" companies of FUCHS PETROLUB AG,
- Executive Board and Supervisory Board of FUCHS PETROLUB AG,
- RUDOLF FUCHS GMBH & CO KG, the asset management company through which most of the Fuchs family's ordinary stock is held
- its full partner FUCHS INTEROIL GMBH and its management
- and pension plan assets benefiting the company's employees.

The controlling company is RUDOLF FUCHS GMBH & CO KG.

FUCHS PETROLUB AG provides services to the related companies RUDOLF FUCHS GMBH & CO KG and FUCHS INTEROIL GMBH, for which it is compensated with a contribution to its administrative costs. The scope of these services is not material.

Furthermore, there are intercompany transactions between the holding company, FUCHS PETROLUB AG, and its subsidiaries i.e. loans, sales, services, etc. All intercompany transactions and balances have been eliminated in the consolidated financial statements. License fees are charged to the subsidiaries according to their sales revenues for services provided by the holding company in the areas of research and development, product marketing, brand management, advertising, etc. Fees are also allocated for management and similar services. Services provided to related companies and persons are charged on the same basis as those for independent business partners.

FUCHS PETROLUB AG has claims against the company included at equity relating to supplies and services in the amount of €0.3 million. There are no liabilities. The value of goods supplied in 2005 was €1.0 million.

For information on pension plans please refer to the statements in item 24.

A dependent company report has been prepared on relationships with related parties pursuant to Section 312 of the German Stock Corporation Law (AktG) with the concluding declaration: "With the legal transactions listed in the dependent companies report, in accordance with the circumstances known to us on the date that the respective transactions were performed, our company received a reasonable consideration in each transaction. No actions subject to disclosure occurred on the instructions or in the interest of the controlling company." The independent auditors of FUCHS PETROLUB AG, KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft, have audited this dependent company report and provided it with an unqualified audit opinion.

Details of the corporate boards

Supervisory board

Prof. Dr. Jürgen Strube Mannheim	Chairman Chairman of the Executive Board of BASF Aktiengesellschaft Other directorships*: Allianz Lebensversicherungs-AG BASF Aktiengesellschaft (1) Bayerische Motoren Werke Aktiengesellschaft Bertelsmann AG (2) Commerzbank AG Hapag Lloyd AG Linde AG
Dr. Manfred Fuchs Mannheim	Deputy Chairman Former Chairman of the Executive Board of FUCHS PETROLUB AG Other directorships*: – MVV Energie AG – Stiftung der Orthopädischen Universitätsklinik Heidelberg Comparable German and international supervisory functions: – Hilger u. Kern GmbH (1)
Hans-Joachim Fenzke (3) Mannheim	Industry chemical technician FUCHS EUROPE SCHMIERSTOFFE GMBH
Prof. Dr. Bernd Gottschalk Esslingen	President of the German Association of the Automotive Industry (VDA) Other directorships*: – BASF Coatings AG – Hoffmann-La Roche AG – Voith AG – Thyssen Krupp Automotive AG Comparable German and international supervisory functions: – Delphi Corporation
Prof. Dr. Dr. h. c. mult. Otto H. Jacobs Heddesheim	Professor of Business Administration, Fiduciary Management , Tax Law at the University of Mannheim Other directorships*: – Ernst & Young, Deutsche Allgemeine Treuhand AG, Wirtschaftsprüfungsgesellschaft (1) Comparable German and international supervisory functions: – ZEW Zentrum für Europäische Wirtschaftsforschung GmbH
Heinz Thoma (3) Mannheim	Industrial clerk FUCHS EUROPE SCHMIERSTOFFE GMBH

Executive board

Stefan R. Fuchs Hirschberg	Chairman Comparable German and international supervisory functions: – Baden-Württembergische Bank AG Group directorships: – FUCHS (UK) PLC. (1) – FUCHS LUBRICANTS (UK) PLC. (1) – FUCHS LUBRICANTS CO. – FUCHS CORPORATION – FUCHS LUBRIFIANT FRANCE S.A. (1) – FUCHS LUBRIFICANTI S.P.A. – FUCHS LUBRIFICANTES, S.A. (1) – ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD. – FUCHS OIL MIDDLE EAST LTD.
Dr. Alexander Selent Limburgerhof	Deputy Chairman Comparable German and international supervisory functions: – Landesbank Baden-Württemberg AG Group directorships: – FUCHS DO BRASIL S.A. (1) – FUCHS LUBRIFIANT FRANCE S.A. – FUCHS LUBRICANTS (SHANGHAI) LTD. – FUCHS LUBRICANTS (YINGKOU) LTD. – FUCHS LUBRICANTS (HEFEI) LTD. – LUBRICANTES FUCHS DE MEXICO, S.A. – FUCHS CORPORATION
L. Frank Kleinman Chicago, USA	Member Group directorships: – FUCHS CORPORATION (1) – FUCHS LUBRICANTS CO. (1) – FUCHS LUBRICANTS CANADA LTD. – FUCHS LUBRICANTS (S.A.) (PTY.) LTD.
Dr. Georg Lingg Mannheim	Member (until Dec. 31, 2005 deputy member) Group directorships: – MOTOREX AG

(1) Chairman
(2) Deputy Chairman
(3) Employee representative
* Supervisory Board memberships pursuant to Section 100, Subsection 2 of the German Stock Corporation Law

Corporate Governance Report (Supplementary data)

Compensation of the Executive Board and the Supervisory Board [€ thousand]	**2005**	2004
Compensation of the Executive Board	**2,823**	2,408
– thereof fixed compensation	**982**	921
– thereof variable compensation	**1,841**	1,487
Compensation of the Supervisory Board	**195**	164
– thereof fixed compensation	**77**	77
– thereof variable compensation	**118**	87
Total compensation of former board members	**300**	319
Pension provisions for former members of the Executive Board	**4,044**	4,351
Pension provisions for active members of the Executive Board	**1,348**	909
Compensation of the Advisory Board	**62**	52

The variable compensation of the Executive Board is based on profit and project incentives. The profit incentives are based on the Group's total return on capital, whereas the project incentives are oriented towards individual agreed targets and the extent of their attainment. No bonuses will be paid in the event of termination or following termination of the employment of the members of the Executive Board. Additionally, there are no share based compensation arrangements.

Shares held by the members of the Executive Board and the Supervisory Board

At December 31, 2005 Stefan Fuchs held directly and indirectly 513,135 ordinary shares. The other members of the Executive Board combined held 60,039 ordinary shares and 213 preference shares.

Dr. Manfred Fuchs held directly and indirectly 1,912,643 ordinary shares. The other members of the Supervisory Board combined held 1,830 ordinary shares and 5,136 preference shares. Share options do not exist.

Corporate Governance Code

FUCHS PETROLUB AG has issued the declaration of compliance pursuant to Section 161 of the German Stock Corporation Law and has rendered it permanently accessible to the shareholders at (http://www.fuchs-oil.de/corporate_governance.html).

Audit fees

KPMG Deutsche Treuhand-Gesellschaft, Mannheim, has audited the consolidated financial statements. During the business year, audit fees of €412,000 for the annual audit as well as €42,000 for tax consulting and €19,000 for other services and expenses were recorded.

Events after the balance sheet date

Subsequent to the balance sheet date there have been no events that would materially affect the financial condition or results of operations of the Group.

Mannheim, March, 17, 2006
FUCHS PETROLUB AG

The Executive Board

S. Fuchs　　Dr. A. Selent　　F. Kleinman　　Dr. G. Lingg

AUDITORS' CERTIFICATE

We have audited the consolidated financial statements prepared by FUCHS PETROLUB AG, Mannheim, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to Dezember 31 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/ articles of incorporation) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), and in additional compliance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, March, 17, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

von Hohnhorst
Auditor

Heublein
Auditor

ANNUAL FINANCIAL STATEMENTS OF FUCHS PETROLUB AG
STATEMENT OF INCOME

[in € million]		2005		2004
Investment income		72.0		70.9
Administration costs		–18.4		–20.3
Other operating income	19.4		18.0	
Other operating expenses	–5.1		–1.7	
		14.3		16.3
Earnings before interest and taxes (EBIT)		**67.9**		**66.9**
Financial result		–7.0		–23.5
Earnings from ordinary business activities		**60.9**		**43.4**
Taxes on income		–14.3		–8.2
Remuneration for participation-right certificates		–3.7		–3.7
Net income for the year		**42.9**		**31.5**
Retained earnings brought forward		18.7		16.0
Transfer to other retained earnings		–21.4		–15.1
Unappropriated profit		**40.2**		**32.4**

BALANCE SHEET

[in € million]		31.12.2005		31.12.2004
Assets				
Intangible assets		1.7		0.1
Property, plant and equipment		0.4		0.6
Financial assets		335.5		330.7
Long-term assets		337.6		331.4
Receivables due from affiliated companies	68.7		50.9	
Other receivables and other assets	0.8		0.8	
Receivables and other assets		69.5		51.7
Liquid funds		0.2		0.2
Short-term assets		69.7		51.9
Prepaid expenses				0.1
		407.3		383.4
Equity and liabilities				
Subscribed capital	70.7		70.7	
Capital reserves	96.0		96.0	
Retained earnings	63.4		42.0	
Participation-right certificates	51.1		51.1	
Unappropriated profit	40.2		32.4	
Shareholders' equity		321.4		292.2
Provisions for pensions and similar obligations	7.4		7.1	
Other provisions	28.0		13.4	
Provisions		35.4		20.5
Other liabilities	50.5		70.7	
Liabilities		50.5		70.7
		407.3		383.4

PROPOSAL ON THE APPROPRIATION OF PROFITS

The Executive Board will recommend to the Supervisory Board that it proposes the following appropriation of profits to the 2006 Annual Shareholders' Meeting (in €):

Distribution of a dividend of €0.61 and €0.10 anniversary bonus per ordinary share of the entitled ordinary-share capital of €35,370,000 €	8,370,900
Distribution of a dividend of €0.67 and €0.10 anniversary bonus per preference share of the entitled preference-share capital of €35,370,000	9,078,300
	17,449,200
Balance carried forward	22,709,586
Unappropriated profit (HGB) of FUCHS PETROLUB AG	**40,158,786**

MAJOR SUBSIDIARIES
BALANCE AS AT DEC. 31, 2005

Germany	Capital[1] [€000s]	Share of equity capital[2] [in %]	Sales in 2005[1] [€000s]
Lubricants and related specialty products			
BREMER & LEGUIL GMBH, Duisburg	240	100	18,736
FUCHS EUROPE SCHMIERSTOFFE GMBH, Mannheim	10,000	100	292,059
FUCHS LUBRITECH GMBH, Weilerbach	2,583	100	55,538
PARAFLUID MINERALOELGESELLSCHAFT MBH, Hamburg	307	100	7,484
WISURA MINERALÖLWERK GOLDGRABE & SCHEFT GMBH & CO., Bremen	1,023	85	10,021
Polishing technology			
LIPPERT-UNIPOL GMBH, Epfenbach	5,721	100	16,047

International	Capital[1] [€000s]	Share of equity capital[2] [in %]	Sales in 2005[1] [€000s]
Lubricants and related specialty products			
ALHAMRANI-FUCHS PETROLEUM SAUDI ARABIA LTD., Jeddah/Saudi Arabia	6,574	32	104,542
FUCHS ARGENTINA S.A., El Talar de Pacheco/Argentina	172	100	6,645
FUCHS AUSTRIA SCHMIERMITTEL GMBH, Bergheim/Austria	1,236	70	11,321
FUCHS BELGIUM N.V., Huizingen/Belgium	4,700	100	23,985
FUCHS CORPORATION, Dover, Delaware/USA (sub-group)	1	100	196,806
– FUCHS LUBRICANTS CANADA LTD., Cambridge, Ontario/Canada	2,862	100	18,364
– FUCHS LUBRICANTS CO., Harvey, Illinois/USA	2	100	176,587
FUCHS DO BRASIL S.A., Sao Paulo/Brazil	1,748	100	20,103
FUCHS LUBRIFIANT FRANCE S.A., Nanterre/France (sub-group)	10,386	99,65	103,036
– FUCHS W. INDUSTRIE S.A.S.U., Rueil-Malmaison/France	37	100	1,473
FUCHS LUBRICANTES S.A., Castellbisbal/Spain	3,967	100	50,252
FUCHS LUBRICANTS (AUSTRALASIA) PTY. LTD., Sunshine-Melbourne/Australia	3,080	100	57,027
FUCHS LUBRICANTS (HEFEI) LTD., Hefei/China	1,077	100	13,488
FUCHS LUBRICANTS (INDIA) PRIVATE LTD., Mumbai/India	4,171	100	5,754
FUCHS LUBRICANTS (KOREA) LTD., Seoul/Korea	3,557	100	9,466
FUCHS LUBRICANTS (SHANGHAI) LTD., Nanxiang, Shanghai/China	4,438	100	28,387
FUCHS LUBRICANTS (SOUTH AFRICA) (PTY.) LTD., Johannesburg/South Africa	14	100	26,473
FUCHS LUBRICANTS (YINGKOU) LTD., Yingkou-City/China	2,615	100	28,971
FUCHS LUBRICANTS PTE. LTD., Singapore/Singapore	3,928	100	5,095
FUCHS LUBRIFICANTES UNIPESSOAL LDA., Maia/Portugal	2,370	100	6,468
FUCHS LUBRIFICANTI S.P.A., Buttigliera d'Asti/Italy	4,160	100	45,001
FUCHS LUBRITECH (UK) LTD., London/Great Britain	84	100	6,654
– FUCHS LUBRITECH FRANCE S.A.R.L., Paris/France	91	100	5,192
FUCHS MAZIVA D.O.O., Samobor/Croatia	774	100	6,038
FUCHS OIL CORPORATION (CZ) SPOL. S R.O., Prague/Czech Republic	52	100	6,852
FUCHS OIL CORPORATION (PL) SP. Z O.O., Gliwice/Poland	1,106	100[3]	27,782
FUCHS OIL MIDDLE EAST LTD., British Virgin Islands	4,222	50	27,743
FUCHS (UK) PLC., Stoke-on-Trent, Staffordshire/Great Britain (sub-group)	2,905	100	133,343
– FUCHS LUBRICANTS (UK) PLC., Stoke-on-Trent, Staffordshire/Great Britain	60	100	133,343
MAKOTO-FUCHS K.K., Naraken/Japan	2,543	50	17,147
MOTOREX AG, Langenthal/Schweiz	160	50	12,421
FUCHS INDONESIA, Jakarta/Indonesia	2,148	100	7,746

1 Equity capital and sales revenues are each shown at 100 %.
2 Related to the controlling parent company.
3 Thereof, 5.6 % is held by FUCHS FINANZSERVICE GMBH, Mannheim, Germany.

GLOSSARY

Associated companies Companies that are neither subsidiaries nor a share in a joint venture, upon which a significant influence is exercised and in which no less than 20 % of the shares are held.

Bonds Fixed-interest securities with fixed redemption dates in the form of bearer bonds/debentures.

Capital Employed Capital employed consists of equity capital, participation-right capital, interest-bearing liabilities, pension provisions and accumulated goodwill write-offs at average fixures of the year, after the deduction of liquid funds.

Cash flow The difference between income and expenditure in a reporting period. The gross cash flow presented by the FUCHS PETROLUB Group in the Annual Report is calculated on the basis of

net profit after taxes
\+ depreciation and amortization of long-term assets
± changes in long-tesions
± changes in deferred taxes
± non-cash profits from investments assessed at equity.

The gross cash flow is an indication of a company's internal financial resources available for investment, financing net current assets, debt repayment, dividend distributions and maintaining liquidity.

Corporate Governance Internationally used term for responsible management and supervision with a view to long-term value creation. Corporate governance comprises the entire system of managing and supervising a company and includes the organization of the company, its business-policy principles and guidelines, and all internal and external controlling and monitoring mechanisms.

Declaration of compliance Declaration by the Supervisory Board and Executive Board pursuant to Section 161 of the German Stock Corporation Law concerning the implementation of the recommendations of the German Corporate Governance Code.

Deferred taxes Deferred taxes serve to show tax expenses in the consolidated financial statements on an accrual basis.

Derivative financial instruments Financial products whose own value is primarily derived from the price, price fluctuation and price expectations of an underlying transaction, without this underlying transaction having to be actually performed. Derivatives are used by the FUCHS PETROLUB Group solely to limit exchange rate and interest-rate risks from the operating business.

EBIT Abbreviation for earnings before interest and taxes.

EBITA Abbreviation for earnings before interest, taxes and goodwill amortization.

EBITDA Abbreviation for earnings before interest, taxes, depreciation and goodwill amortization.

EBIT margin EBIT in relation to sales revenues.

1985

First stock exchange listing

EBT Abbreviation for earnings before taxes.

Effective tax rate Corporate income-tax expense in relation to earnings before taxes.

Equity method Method of consolidation for including associated companies in the consolidated financial statements. The Group's ownership interest is entered as its share of these companies' equity capital. Changes in such companies' equity capital have an effect on the valuation of the Group's ownership interest, their net profit is included at-equity in the Group's net profit.

Equity ratio Proportion of capital resources (= subscribed capital, reserves and accumulated other capital) to the balance-sheet total.

IAS Abbreviation for International Accounting Standards. Accounting principles intended to guarantee international harmonization and the comparability of financial statements and disclosure. They are prepared by an international committee, the International Accounting Standards Boards (IASB). FUCHS PETROLUB AG has compiled its consolidated financial statements on this basis since 2002.

IFRS Abbreviation for International Financial Reporting Standards. Formerly International Accounting Standards (IAS).

Investment income The Group's share in the profits distributed by non-consolidated subsidiaries and its share in the profits earned by associated companies.

Proportionate consolidation Companies managed together and with equal shares with other partners and associates (joint ventures) are included in the consolidated financial statements proportionately (pro rata), i. e. joint ventures are entered in the balance sheet and income statement only in the amount of the proportion belonging to the FUCHS PETROLUB Group.

Return on equity Net profit after taxes in relation to shareholders' equity.

Return on sales Net profit after taxes in relation to sales revenues.

ROCE Abbreviation for return on capital employed (earnings before interest, taxes, goodwill amortization and minority interests in relation to capital employed).

SDAX Share index of German companies with a low market capitalization. The SDAX is thus the third value segment after the DAX (30 companies with a high market capitalization) and the MDAX (50 companies with a medium market capitalization). The FUCHS PETROLUB preference shares have been approved for the Prime Standard section of the German Stock Exchange since January 1, 2003, and are included in the SDAX segment, which comprises 50 companies in total.

Volatility Intensity of fluctuations in share prices, exchange rates and interest rates.

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FINANCIAL CALENDAR

Events	
April 3, 2006	Balance Sheet Press Conference, Mannheim
	DVFA Analysts' Conference, Frankfurt
May 9, 2006	Interim report for the first quarter of 2006
June 21, 2006	Annual Shareholders' Meeting, Mannheim
June 22, 2006	Information Event for Swiss Shareholders, Zurich
August 9, 2006	First-Half Press Conference, Mannheim
	Interim report for the first half of 2006
September 26–27, 2006	Financial Markets Conference, Duisburg
November 9, 2006	Interim report for the first nine months of 2006

Annual Shareholders' Meeting 2006

The Annual Shareholders' Meeting will take place on Wednesday June 21, 2006 at 10:00 a.m. in the Mozart Room at the Rosengarten Congress Center. Rosengartenplatz 2 in 68161 Mannheim. Shareholders will also receive the report on the 2005 financial year via their depositary banks. together with an invitation and the agenda. The payment of dividends approved by the Annual Shareholders' Meeting will be made from June 22, 2006 onwards.

Disclaimer

This annual report contains statements about future developments that are based on assumptions and estimates by the management of FUCHS PETROLUB AG. Even if the management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results may differ significantly from these assumptions and estimates due to a variety of factors. These factors can include changes to the overall economic climate. changes to exchange rates and interest rates and changes in the lubricants industry. FUCHS PETROLUB AG provides no guarantee that future developments and the results actually achieved in the future will agree with the assumptions and estimates set out in this annual report and assumes no liability for such.

TEN-YEAR OVERVIEW

FUCHS PETROLUB Group

[amounts in € million]	2005 IFRS	2004 IFRS	2003 IFRS	2002 IFRS	2001 IFRS	2000 HGB	1999 HGB	1998 HGB	1997 HGB	1996 HGB
Earnings										
Sales revenues	1,192.2	1,096.3	1,040.9	1,064.7	940.0	902.0	834.0	789.3	787.4	692.1
– Germany	268.2	262.2	249.8	264.9	183.8	170.1	201.3	218.8	225.0	212.5
– International	924.0	834.1	791.1	799.8	756.2	731.9	632.7	570.5	562.4	479.6
Cost of material	681.9	605.6	569.5	579.6	521.2	494.0	449.0	421.2	423.8	373.5
Gross profit	424.8	407.7	387.2	399.7	339.2	329.1	311.6	298.2	296.9	257.9
– in % of sales revenues	35.6	37.2	37.2	37.5	36.1	36.5	37.4	37.8	37.7	37.3
Earnings before interest and taxes (EBIT)	128.8	86.2	75.1	70.0	50.5	56.9	55.1	41.1	48.5	43.0
– in % of sales revenues	10.8	7.9	7.2	6.6	5.4	6.3	6.6	5.2	6.2	6.2
Financial result	–15.7	–18.8	–23.1	–26.0	–25.6	–16.5	–16.2	–16.3	–13.1	–13.3
Net profit after taxes	74.2	40.1	30.9	24.1	8.8	18.5	17.1	6.2	18.2	14.5
– in % of sales revenues	6.2	3.7	3.0	2.3	0.9	2.1	2.1	0.8	2.3	2.1
Earnings per share [in €][1] ordinary	3.08	1.99	1.77	1.54	0.81	0.75	0.71	0.19	0.75	0.46
Earnings per share [in €][1] preference	3.14	2.05	1.83	1.60	0.87	0.81	0.77	0.25	0.81	0.52
Assets/Equity and liabilities										
Long-term assets	273.7	254.0	272.0	316.8	354.9	315.5	310.5	325.8	347.5	268.2
Short-term assets	417.6	374.6	363.9	361.6	364.7	365.7	336.7	284.1	288.9	252.4
Total assets	691.3	628.6	635.9	678.4	719.6	681.2	647.2	609.9	636.4	520.6
Shareholders' equity	232.6	159.8	137.7	110.1	120.6	165.8	163.9	196.5	166.2	143.6
– in % of total assets	33.6	25.4	21.7	16.2	16.8	24.3	25.3	32.2	26.1	27.6
Provisions	94.7	97.5	112.0	107.4	77.8	75.3	85.4	76.9	86.0	74.9
Financial liabilities	157.3	194.2	188.2	267.3	324.5	313.0	273.4	246.1	304.4	227.6
– in % of total assets	22.8	30.9	29.6	39.4	45.1	45.9	42.2	40.4	47.8	43.7
– Net gearing[2]	0.80	1.39	1.94	3.28	3.22	1.95	1.73	1.26	1.88	1.66
Other liabilities	26.8	31.2	45.6	46.7	42.2	127.1	124.5	90.4	79.8	74.5
Return on equity [in %]	31.9	25.1	22.4	21.9	7.3	13.4	12.7	3.9	11.0	10.1
Financing										
Gross cash flow	100.8	81.7	79.6	76.2	50.3	49.3	48.7	37.5	44.1	36.5
Cash inflow from operating activities	77.8	84.7	89.1	78.5	60.1	11.5	49.0	35.8	27.4	31.3
Cash outflow from investing activities	–26.1	–28.6	–11.5	–30.5	–39.4	–35.5	–40.1	–24.0	–50.7	–55.2
Cash flow from financing activities	–54.7	–57.4	–60.3	–60.0	–11.9	25.5	–9.7	–18.4	27.2	13.3
Free cash flow	51.7	56.1	77.6	48.0	20.7	–24.0	8.9	11.8	–28.3	–23.9
Investments in property, plant and equipment	24.6	21.2	18.4	27.0	26.4	30.5	28.2	30.1	35.9	25.1
– Germany	8.2	9.1	7.3	12.1	8.4	9.0	7.9	5.8	7.8	8.8
– International	16.4	12.1	11.1	14.9	18.0	21.5	20.3	24.3	28.1	16.3
Depreciation of property, plant and equipment	22.5	22.5	25.5	28.3	25.1	24.4	24.3	25.7	20.8	18.2
– in % of investments in P, P&E	91.5	106.1	138.6	104.8	95.1	80.0	86.2	85.4	57.9	72.5

FUCHS PETROLUB Group

[amounts in € million]	2005 IFRS	2004 IFRS	2003 IFRS	2002 IFRS	2001 IFRS	2000 HGB	1999 HGB	1998 HGB	1997 HGB	1996 HGB
Employees										
Number of employees (average)	**4,149**	4,221	4,188	4,100	3,925	3,896	3,908	3,951	3,901	3,818
– Germany	**1,101**	1,094	1,124	1,151	935	939	950	978	1,109	1,151
– International	**3,048**	3,127	3,064	2,949	2,990	2,957	2,958	2,973	2,792	2,667
Personnel expenses	**174.4**	173.5	171.9	179.8	161.4	160.5	148.4	144.8	142.5	128.0
– in % of sales revenues	**14.6**	15.8	16.5	16.9	17.2	17.8	17.8	18.3	18.1	18.5
– Sales revenues per employee [in € thousand]	**287.3**	259.7	248.5	259.7	239.5	231.5	213.4	199.8	201.8	181.3
Research and development										
Research and development expenses	**20.6**	21.4	22.6	23.6	18.7	18.8	17.4	16.1	15.9	13.9
– in % of sales revenues	**1.7**	2.0	2.2	2.2	2.0	2.1	2.1	2.0	2.0	2.0

FUCHS PETROLUB AG shares

[amounts in €]	2005 IFRS	2004 IFRS	2003 IFRS	2002 IFRS	2001 IFRS	2000 HGB	1999 HGB	1998 HGB	1997 HGB	1996 HGB
Dividend distribution [in € million][3]	**17.4**	13.7	12.9	11.0	9.8	9.8	9.1	9.1	8.9	5.4
Dividend per ordinary share[3,4,5]	**0.71**	0.55	0.52	0.48	0.43	0.43	0.40	0.40	0.40	0.34
Tax credit	**0.00**	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.06	0.09
Dividend per ordinary share including tax credit	**0.71**	0.55	0.52	0.48	0.43	0.43	0.41	0.40	0.46	0.43
Dividend per preference share[3,4,5]	**0.77**	0.61	0.58	0.54	0.49	0.49	0.46	0.46	0.46	0.41
Tax credit	**0.00**	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.07	0.11
Dividend per preference share including tax credit	**0.77**	0.61	0.58	0.54	0.49	0.49	0.47	0.46	0.53	0.52
Stock-exchange prices on December 31										
– Ordinary share	**35.0**	28.6	15.9	7.8	7.3	6.6	6.8	10.1	12.0	10.5
– Preference share	**36.2**	26.4	14.6	7.8	7.0	6.4	6.4	8.2	12.1	8.3
– Participation-right certificates 1998–2008 [in %]	**113.9**	115.3	110.0	105.9	104.3	100.5	99.7	100.7	–	–

1 Before scheduled goodwill amortization.
2 The ratio of financial liabilities plus pension provisions minus liquid funds to shareholders' equity.
As a result of the change to IFRS the participation-right certificates were reclassified from shareholders' equity to financial liabilities.
3 Dividend proposals for 2005.
4 For comparative purposes, the prior year figures have been restated to reflect the 1:3 share split in June 2005.
5 Includes the anniversary bonus proposal of €0.10 per share for 2005.

FUCHS PETROLUB AG