

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-7154

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

Pennsylvania

23-0993790

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Elm and Lee Streets, Conshohocken, Pennsylvania 19428 - 0809

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 610-832-4000

Not Applicable

Former name, former address and former fiscal year, if changed
since last report.

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares
outstanding of each of the issuer's classes of common stock, as of the latest
practicable date.

Number of Shares of Common Stock
Outstanding on July 31, 1995

8,810,119

This report contains a total of 12 pages.

PART I. FINANCIAL INFORMATION

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED FINANCIAL INFORMATION

The following condensed financial statements are filed as part of this
quarterly report on Form 10-Q:

Consolidated balance sheet at June 30, 1995 and
December 31, 1994

Consolidated statement of income for the six months ended
June 30, 1995 and 1994

Consolidated statement of income for the three months ended
June 30, 1995 and 1994

* * * * *

NOTE TO CONDENSED FINANCIAL INFORMATION

The attached condensed financial information has been prepared in accordance with instructions for Form 10-Q and, therefore, does not include all financial note information which might be necessary for a fair presentation in accordance with generally accepted accounting principles. Such condensed financial information is unaudited, but in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments and accruals, necessary for a fair presentation of results for the periods indicated. The net income reported for the periods should not necessarily be regarded as indicative of net income on an annualized basis; however, significant variations from the results for the same period of the previous year, if any, have been disclosed in the accompanying management's discussion and analysis. Certain reclassifications of prior year's data have been made to improve comparability.

Quaker Chemical Corporation

Consolidated Balance Sheet

(dollars in thousands)

| | June 30, 1995 | December 31, 1994 |
|--|----------------------|----------------------|
| | ----- (Unaudited) | ----- * |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 8,115 | \$ 11,345 |
| Accounts receivable | 51,334 | 43,841 |
| Inventories | | |
| Raw materials and supplies | 10,327 | 8,795 |
| Work in process and finished goods | 10,372 | 9,042 |
| Deferred income taxes | 1,546 | 1,473 |
| Prepaid expenses and other current assets | 10,339 | 8,904 |
| | ----- 92,033 | ----- 83,400 |
| | ----- | ----- |
| Investments in and advances to associated companies | 11,137 | 9,885 |
| | ----- | ----- |
| Property, plant and equipment, at cost | | |
| Land | 7,273 | 6,702 |
| Buildings and improvements | 36,549 | 34,529 |
| Machinery and equipment | 68,160 | 63,403 |
| Construction in progress | 4,361 | 1,015 |
| | ----- 116,343 | ----- 105,649 |
| Less accumulated depreciation | 59,655 | 53,955 |
| | ----- 56,688 | ----- 51,694 |
| | ----- | ----- |
| Excess of cost over net assets of acquired companies | 17,597 | 12,262 |
| Deferred income taxes | 4,935 | 4,971 |
| Other noncurrent assets | 7,394 | 7,960 |
| | ----- 29,926 | ----- 25,193 |
| | ----- \$189,784 | ----- \$170,172 |
| | ===== | ===== |

* Condensed from audited financial statements.

Quaker Chemical Corporation

Consolidated Balance Sheet

(dollars in thousands)

| | June 30, 1995 | December 31, 1994 |
|--|----------------------|----------------------|
| | ----- (Unaudited) | ----- * |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Short-term borrowings and current portion of notes payable, long-term debt and capital leases | \$ 20,174 | \$ 8,062 |
| Accounts payable | 22,496 | 20,575 |
| Dividends payable | 1,497 | 1,500 |
| Accrued liabilities | 11,391 | 12,231 |
| Estimated taxes on income | 511 | 440 |
| | ----- | ----- |
| Total current liabilities | 56,069 | 42,808 |
| | ----- | ----- |
| Long-term debt, notes payable and capital leases | | |
| | 11,875 | 12,207 |
| Deferred income taxes | 3,106 | 3,081 |
| Accrued postretirement benefits | 8,869 | 8,767 |
| Other noncurrent liabilities | 7,398 | 7,029 |
| | ----- | ----- |
| Total noncurrent liabilities | 31,248 | 31,084 |
| | ----- | ----- |
| | 87,317 | 73,892 |
| | ----- | ----- |
| Minority interest in equity of subsidiaries | 2,704 | 2,603 |
| | ----- | ----- |
| Shareholders' equity | | |
| Common stock, \$1 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares | 9,664 | 9,664 |
| Capital in excess of par value | 774 | 649 |
| Retained earnings | 88,520 | 87,137 |
| Foreign currency translation adjustments | 14,736 | 9,856 |
| | ----- | ----- |
| | 113,694 | 107,306 |
| Treasury stock, shares held at cost; 1995 - 853,809, 1994 - 844,691 | (13,931) | (13,629) |
| | ----- | ----- |
| | 99,763 | 93,677 |
| | ----- | ----- |
| | \$189,784 | \$170,172 |

* Condensed from audited financial statements

Quaker Chemical Corporation
Consolidated Statement of Income
Six Months Ended June 30,

| | Unaudited (dollars in thousands except per share data) | |
|---|--|-----------|
| | 1995 | 1994 |
| Income | | |
| Net sales | \$113,562 | \$ 92,440 |
| Other income, net | 900 | 939 |
| | ----- | ----- |
| | 114,462 | 93,379 |
| | ----- | ----- |
| Costs and expenses | | |
| Cost of goods sold | 67,835 | 52,132 |
| Selling, administrative and general expenses | 38,675 | 33,739 |
| | ----- | ----- |
| | 106,510 | 85,871 |
| | ----- | ----- |
| Income from operations | 7,952 | 7,508 |
| Interest expense | (735) | (734) |
| Interest income | 150 | 296 |
| | ----- | ----- |
| Income before taxes | 7,367 | 7,070 |
| Taxes on income | 2,925 | 2,793 |
| | ----- | ----- |
| | 4,442 | 4,277 |
| Equity in net income of associated companies | 197 | 324 |
| Minority interest in net income of subsidiaries | (253) | (161) |
| | ----- | ----- |
| Net income | \$ 4,386 | \$ 4,440 |
| | ===== | ===== |
| Per share data: | | |
| Net income | \$0.50 | \$0.48 |
| Dividends declared | \$0.34 | \$0.31 |
| Based on weighted average number of shares outstanding | 8,812,602 | 9,256,400 |

Quaker Chemical Corporation

Consolidated Statement of Income
Three Months Ended June 30,

Unaudited
(dollars in thousands
except per share data)

| | 1995 | 1994 |
|---|-----------|-----------|
| Income | | |
| Net sales | \$ 59,035 | \$ 47,347 |
| Other income, net | 746 | 581 |
| | ----- | ----- |
| | 59,781 | 47,928 |
| Costs and expenses | | |
| Cost of goods sold | 35,111 | 26,749 |
| Selling, administrative and general expenses | 20,154 | 17,385 |
| | ----- | ----- |
| | 55,265 | 44,134 |
| Income from operations | 4,516 | 3,794 |
| Interest expense | (403) | (404) |
| Interest income | 61 | 160 |
| | ----- | ----- |
| Income before taxes | 4,174 | 3,550 |
| Taxes on income | 1,664 | 1,385 |
| | ----- | ----- |
| | 2,510 | 2,165 |
| Equity in net income of associated companies | 107 | 87 |
| Minority interest in net income of subsidiaries | (146) | (61) |
| Net income | \$ 2,471 | \$ 2,191 |
| | ===== | ===== |
| Per share data: | | |
| Net income | \$0.28 | \$0.24 |
| Dividends declared | \$0.17 | \$0.16 |
| Based on weighted average number of shares outstanding | 8,804,016 | 9,260,808 |

Quaker Chemical Corporation

Consolidated Statement of Cash Flows
For the Six Months Ended June 30,

Unaudited
(dollars in thousands)

| | 1995 | 1994 |
|--|---------|----------|
| Cash flows from operating activities: | | |
| Net income | \$4,386 | \$4,440 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation | 3,346 | 3,656 |
| Amortization | 1,094 | 694 |
| Equity in net income of associated companies | (197) | (324) |
| Minority interest in earnings of subsidiaries | 253 | 161 |
| Deferred income taxes | 31 | 7 |
| Deferred compensation and other postretirement benefits | 455 | 181 |
| Net change in repositioning liability | (564) | (391) |
| Other, net | (28) | |
| Increase (decrease) in cash from changes in current assets and liabilities net of acquisitions and divestitures: | | |
| Accounts receivable | (5,622) | (4,767) |
| Inventories | (1,573) | (1,029) |
| Prepaid expenses (including taxes) and other current assets | (3,174) | 267 |
| Accounts payable and accrued liabilities | (92) | (3,004) |
| Estimated taxes on income | 90 | (232) |
| | ----- | ----- |
| Net cash used in operating activities | (1,595) | (341) |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Short-term investments | | 1,000 |
| Dividends from associated companies | 50 | 864 |
| Investments in property, plant, equipment and other assets | (4,942) | (3,832) |
| Companies/businesses acquired excluding cash | (6,404) | |
| Investments in and advances to associated companies | (623) | (3,464) |
| Proceeds from the sale of patent, production technology and other related assets | 2,000 | |
| Other, net | (75) | 266 |
| | ----- | ----- |
| Net cash used in investing activities | (9,994) | (5,166) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Net increase in other short-term borrowings | 10,710 | 5,565 |
| Net increase in notes payable | 2,835 | |
| Repayment of long-term debt and capital leases | (1,692) | (5,443) |
| Dividends paid | (3,003) | (2,868) |
| Treasury stock issued (acquired), net | (176) | 21 |
| Other | (141) | (3) |
| | ----- | ----- |
| Net cash provided by (used in) financing activities | 8,533 | (2,728) |
| | ----- | ----- |
| Effect of exchange rate changes on cash | (174) | (394) |
| | ----- | ----- |
| Net decrease in cash and cash equivalents | (3,230) | (8,629) |
| Cash and cash equivalents at beginning of year | 11,345 | 19,293 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$8,115 | \$10,664 |
| | ===== | ===== |
| Supplemental cash flow information | | |
| Cash paid for income taxes and interest was as follows: | | |
| Income taxes | \$2,285 | \$2,385 |
| Interest | 751 | 700 |

Quaker Chemical Corporation
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Liquidity and Capital Resources

Notwithstanding a decrease of \$15.3 million in the company's net cash position (cash and cash equivalents plus short-term investments less short-term borrowings and current portion of notes payable, long-term debt and capital leases) during the first six months of 1995, the company remains strong in its ability to generate adequate cash to meet the needs of current operations and to fund strategic initiatives. The decline in the net cash position is due largely to increased short-term borrowings associated with financing (i) a business acquisition in Brazil (ii) increases in operating working capital (primarily increases in accounts receivable generated from higher sales) and (iii) the replacement of maturing long-term obligations with short-term debt. Net cash flow used in operating activities totaled \$1.4 million. Operating working capital increased approximately \$10.4 million as a result of higher sales activity, particularly in Europe, and seasonal prepayments. Other major sources and uses of cash during the first six months of 1995 included: a receipt of \$2.0 million related to the 1993 sale of the SULFA-SCRUB (registered trademark) patents and technology; \$4.9 million in expenditures for additions to property, plant and equipment and other assets; the purchase on May 31, 1995 of a 90% interest in Celumi Ltda., a Brazilian metalworking business, for approximately \$6.4 million in cash and notes, and dividend payments of \$3.0 million. The current ratio at June 30, 1995 was 1.6/1 as compared to 1.9/1 at December 31, 1994 primarily reflecting the impact of the aforementioned change in short-term debt.

Comparison of Six Months 1995 with Six Months 1994

Consolidated net sales for the first half of 1995 increased \$21.1 million (23%) due mainly to increased sales volume, particularly in Europe, and the appreciation of European currencies versus the U.S. dollar. Income from operations improved \$.4 million as higher sales volume offset lower gross margins resulting from raw material cost inflation. The increase in sales was due to an 11% increase in volume; a 7% improvement associated with currency translation; and increases from price/mix and business acquisitions in Europe and South America of 3% and 2%, respectively.

Operating margins as a percentage of sales declined due to the aforementioned negative effect of rising raw material costs. Interest income declined due to lower cash holdings by the company. The decrease in equity in net income from associated companies was primarily due to business development investment costs in the company's Fluid Recycling Services joint venture. Net income was impacted favorably by approximately \$.06 per share due to currency translation.

Comparison of Second Quarter 1995 with Second Quarter 1994

Consolidated net sales for the second quarter of 1995 increased \$11.7 million (25%) due mainly to increased sales volume, particularly in Europe, and the appreciation of European currencies versus the U.S. dollar. Income from operations improved \$.7 million as higher sales volume offset lower gross margins resulting from raw material cost inflation. The increase in sales was due to a 9% increase in volume; a 7% improvement associated with currency translation; and increases from price/mix and business acquisitions in Europe and South America of 6% and 3%, respectively.

The reasons for the changes in operating margins as a percentage of sales and interest income in the second quarter 1995 versus 1994 are basically the same as for the six-month period. Other income improved slightly due to the absence of exchange losses incurred in 1994. Net income was impacted favorably by approximately \$.03 per share due to currency translation.

The company's focus in the second half of the year will be on further efforts to recover raw material cost increases while maintaining sales growth and controlling discretionary spending.

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PART II. OTHER INFORMATION

Items 1, 2 and 3 are inapplicable and have been omitted.

Item 4. Submission of Matters to a Vote of Security Holders.

The 1995 Annual Meeting of the Company's shareholders was held on May 4, 1995. At the Meeting, management's nominees, Joseph B. Anderson, Jr., Patricia C. Barron, Edwin J. Delattre and Ronald J. Naples were elected to fill the four available positions as Class III Directors. Voting (expressed in number of votes) was as follows: Joseph B. Anderson, Jr. - 34,071,660 for, 205,023 against or withheld and no abstentions or broker non-votes; Patricia C. Barron - 34,230,233 for, 66,150 against or withheld and no abstentions or broker non-votes; Edwin J. Delattre - 34,155,527 for, 121,156 against or withheld and no abstentions or broker non-votes; and Ronald J. Naples - 34,254,500 for, 22,183 against or withheld and no abstentions or broker non-votes.

At the Meeting, shareholders ratified the appointment of Price Waterhouse LLP as the Company's independent auditors to examine and report on its financial statements for the year ending December 31, 1995 by a vote of 33,518,701 votes for, 163,516 votes against, and 594,466 abstentions or broker non-votes.

Item 5. Other Information.

On August 14, 1995, Ronald J. Naples accepted the position of President and Chief Executive Officer of the Company, replacing Sigismundus W.W. Lubsen, who resigned as President and Chief Executive Officer, effective July 31, 1995.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 27, Financial Data Schedule

(b) Reports on Form 8-K.

No report on Form 8-K was filed during the quarter for which this report is filed.

* * * * *

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUAKER CHEMICAL CORPORATION

(registrant)

RICHARD J. FAGAN

Richard J. Fagan, officer duly
authorized to sign this report,
Corporate Controller, Acting
Corporate Treasurer and Principal
Financial and Chief Accounting
Officer

Date: August 14, 1995

| | | |
|---------|-------------|---------|
| | 3-MOS | |
| | DEC-31-1995 | |
| | JUN-30-1995 | |
| | | 8,115 |
| | | 0 |
| | 52,148 | |
| | 814 | |
| | 20,699 | |
| | 91,850 | |
| | | 116,343 |
| | 59,655 | |
| | 190,098 | |
| 55,958 | | |
| | | 5,000 |
| | | 9,664 |
| 0 | | |
| | | 0 |
| | | 90,524 |
| 190,098 | | |
| | | 113,562 |
| | 114,462 | |
| | | 67,835 |
| | 106,510 | |
| | 0 | |
| | 0 | |
| | 735 | |
| | 7,367 | |
| | 2,925 | |
| 4,386 | | |
| | 0 | |
| | 0 | |
| | | 0 |
| | 4,386 | |
| | .50 | |
| | .50 | |