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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 For the quarterly period ended March 31, 1998

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

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QUAKER CHEMICAL CORPORATION

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(Exact name of Registrant as specified in its charter)

Pennsylvania

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23-0993790

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(State or other jurisdiction of  
incorporation or organization)

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

Elm and Lee Streets, Conshohocken, Pennsylvania 19428 - 0809

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(Address of principal executive offices) (Zip Code)

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

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Not Applicable

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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 X 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 April 30, 1998

8,780,331

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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 March 31, 1998 and December 31, 1997

Consolidated Statement of Income for the three months  
ended March 31, 1998 and 1997

Consolidated Statement of Cash Flows for the three months  
ended March 31, 1998 and 1997.

\* \* \* \* \*

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 (see accompanying Management's Discussion and Analysis-Other Significant Items); 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.

- 2 -

Quaker Chemical Corporation

Consolidated Balance Sheet

	(dollars in thousands)	
	March 31, 1998 (Unaudited)	December 31, 1997 *
Assets		
Current assets		
Cash and cash equivalents	\$ 14,126	\$ 18,416
Accounts receivable	49,669	48,625
Inventories		
Raw materials and supplies	12,583	10,316
Work in process and finished goods	11,950	11,365
Deferred income taxes	5,823	5,729
Prepaid expenses and other current assets	4,752	3,675
	-----	-----
Total current assets	98,903	98,126
	-----	-----
Investments in and advances to associated companies	4,767	4,925
	-----	-----
Property, plant and equipment, at cost		
Land	5,676	5,751
Buildings and improvements	31,272	31,523
Machinery and equipment	58,503	58,532
Construction in progress	1,789	1,213
	-----	-----

	97,240	97,019
Less accumulated depreciation	56,770	56,365
	-----	-----
Total property, plant and equipment	40,470	40,654
	-----	-----
Goodwill, net	14,179	14,500
Deferred income taxes	9,078	9,090
Other noncurrent assets	2,977	3,345
	-----	-----
Total noncurrent assets	26,234	26,935
	-----	-----
	\$170,374	\$170,640
	=====	=====

\* Condensed from audited financial statements.

- 3 -

Quaker Chemical Corporation

Consolidated Balance Sheet

(dollars in thousands)

	March 31, 1998 (Unaudited)	December 31, 1997 *
Liabilities		
Current liabilities		
Short-term borrowings, current portion of long-term debt, notes payable and capital leases	\$ 549	\$ -
Accounts payable	22,109	22,871
Dividends payable	1,580	1,570
Accrued liabilities	17,241	20,824
Estimated taxes on income	5,165	2,494
	-----	-----
Total current liabilities	46,644	47,759
	-----	-----
Long-term debt	25,215	25,203
Deferred income taxes	3,611	3,752
Accrued postretirement benefits	8,942	8,934
Other noncurrent liabilities	5,604	5,825
	-----	-----
Total noncurrent liabilities	43,372	43,714
	-----	-----
Total liabilities	90,016	91,473
	-----	-----
Minority interest in equity of subsidiaries	3,804	3,525
	-----	-----
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	1,202	928
Retained earnings	82,063	80,749
Unearned compensation	(463)	(528)
Foreign currency translation adjustments	(1,747)	(208)
	-----	-----
	90,719	90,605
Treasury stock, shares held at cost; 1998 - 885,485, 1997 - 943,552	(14,165)	(14,963)

Total shareholders' equity	----- 76,554	----- 75,642
	----- \$170,374	----- \$170,640
	=====	=====

\* Condensed from audited financial statements

- 4 -

Quaker Chemical Corporation

Consolidated Statement of Income  
Three Months Ended March 31,

Unaudited  
(dollars in thousands  
except per share data)

	1998	1997
Net sales	\$ 62,235	\$ 58,543
Costs and expenses		
Cost of goods sold	34,498	33,176
Selling, administrative and general expenses	22,769	21,495
	57,267	54,671
Income from operations	4,968	3,872
Other income, net	291	352
Interest expense	(447)	(425)
Interest income	197	60
Income before taxes	5,009	3,859
Taxes on income	2,004	1,544
	3,005	2,315
Equity in net income of associated companies	229	287
Minority interest in net income of subsidiaries	(340)	(35)
Net income	\$ 2,894	\$ 2,567
Per share data:		
Net income (basic and diluted)	\$0.33	\$0.30
Dividends declared	\$0.18	\$0.175
Based on weighted average number of shares outstanding:		
Basic	8,735,875	8,622,064
Diluted	8,833,700	8,656,541

- 5 -

Quaker Chemical Corporation

Consolidated Statement of Cash Flows

For the Three Months Ended March 31,

	Unaudited (dollars in thousands)	
	1998	1997
Cash flows from operating activities		
Net income	\$ 2,894	\$ 2,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,295	1,189
Amortization	583	508
Equity in net (income) loss of associated companies	(229)	(287)
Minority interest in earnings of subsidiaries	328	35
Deferred income taxes	(114)	(228)
Deferred compensation and other postretirement benefits	338	262
Net change in repositioning liabilities	(959)	(1,923)
Other, net	192	(17)
Increase (decrease) in cash from changes in current assets and liabilities net of acquisitions and divestitures:		
Accounts receivable	(1,619)	(1,260)
Inventories	(3,054)	415
Prepaid expenses and other current assets	(1,171)	(1,790)
Accounts payable and accrued liabilities	(2,719)	593
Estimated taxes on income	2,915	2,154
	-----	-----
Net cash (used in) provided by operating activities	(1,320)	2,218
	-----	-----
Cash flows from investing activities		
Dividends from associated companies	207	--
Investments in property, plant, equipment and other assets	(1,473)	(1,221)
Investments in and advances to associated companies	(70)	(120)
Other, net	(66)	--
	-----	-----
Net cash used in investing activities	(1,402)	(1,341)
	-----	-----
Cash flows from financing activities		
Net increase in short-term borrowings and notes payable	561	5,541
Repayment of long-term debt	--	(1,729)
Dividends paid	(1,581)	(1,520)
Treasury stock issued	122	122
	-----	-----
Net cash (used in) provided by financing activities	(898)	2,414
	-----	-----
Effect of exchange rate changes on cash	(670)	(1,952)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(4,290)	1,339
Cash and cash equivalents at beginning of period	18,416	8,525
	-----	-----
Cash and cash equivalents at end of period	\$ 14,126	\$ 9,864
	=====	=====
Supplemental cash flow information		
Cash paid during the quarter for:		
Income taxes	\$ 175	\$ 171
Interest	98	431

- 6-

Quaker Chemical Corporation

Quaker Chemical Corporation  
Notes to Consolidated Financial Statements  
(Unaudited)

Note 1 - Weighted Average Shares Outstanding

The following table reconciles basic and diluted weighted average shares outstanding at March 31, 1998 and 1997:

	1998	1997
	----	----
Weighted average shares outstanding - basic	8,735,875	8,622,064
Effect of dilutive securities:		
Employee stock options	60,480	34,477
Executive stock bonus	37,777	
	-----	-----
Weighted average shares outstanding - diluted	8,833,700	8,656,541
	=====	=====

## Note 2 - Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130 - Reporting Comprehensive Income. SFAS No. 130 requires that the components of comprehensive income be reported in the financial statements. The following table summarizes comprehensive income for the three months ended March 31, 1998 and 1997:

	1998	1997
	----	----
Net income	\$2,894	\$ 2,567
Foreign currency translation adjustments	(1,539)	(5,572)
	-----	-----
Comprehensive income (loss)	\$1,355	\$ (3,005)
	=====	=====

-7-

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Liquidity and Capital Resources

Net cash flow provided by operating activities amounted to \$(1.3) million in the first quarter of 1998 compared to \$2.2 million in the same period of 1997. The decrease was principally due to changes in working capital.

The Company's net cash position (cash and cash equivalents plus short-term investments less short-term borrowings and current portion of long-term debt) decreased \$4.8 million primarily as a result of changes in working capital. The current ratio at March 31, 1998 was 2.1 to 1 unchanged from December 31, 1997.

### Operations

#### Comparison of First Quarter 1998 with First Quarter 1997

Consolidated net sales for the first quarter of 1998 increased by 6% over the first quarter of 1997. The increase in sales was the net result of an 10% increase in volume offset by a 4% decrease due to foreign currency translation rates.

Operating income improved 28% to \$5.0 million as compared to \$3.9 million in the same period of 1997. The 28% improvement was mainly attributable to the higher level of sales and expanded gross margins. The Company's gross profit margin as a percentage of sales increased 1.3% primarily as a result of improved sales mix and stable raw material costs. Selling, administrative and general expenses as a percentage of sales decreased 0.1% as compared to 1997.

Net interest costs declined as an improved cash position versus March 31, 1997 led to higher interest income. Minority interest increased as a result of

improved performances by the Company's consolidated joint ventures in China and Australia and earnings from the Company's consolidated joint venture in India which was formed in the fourth quarter of 1997. Earnings per share of \$.33 were 10% higher than the prior year despite a negative foreign currency translation impact of approximately \$.03 per share due to the strengthening of the dollar, primarily against the Dutch guilder.

Other Significant Items:

The Company is currently working to resolve the potential impact of the year 2000 on the processing of date sensitive information by the Company's computerized information system. Historically, certain computer programs have been written using two digits rather than four digits to define the applicable year. Any of the Company's programs that have time sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. The costs of addressing potential problems are not currently expected to have a material adverse impact on the Company's financial position, results of operations, or cash flows in future periods. The Company expects that all necessary modifications or replacements to key systems will occur on a timely basis.

During 1997 the Financial Accounting Standards Board ("FASB") issued SFAS No. 131 - Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 is effective in 1998. The Company is currently assessing the impact this new standard will have on its financial statements. SFAS No. 131 requires the disclosure of segment information utilizing the approach that the Company uses to manage its internal organization. Also, SFAS No. 131 requires the reporting of segment information on a condensed basis for interim periods beginning in 1999.

-8-

During 1998 the FASB issued SFAS No. 132 - Employers' Disclosure about Pensions and Other Postretirement Benefits. This statement standardizes the disclosures for pensions and other postretirement benefits. SFAS No. 132 is effective in 1998 and is not expected to have a material impact on the Company's financial statements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On or about October 24, 1996, Petrolite Corporation and its subsidiary, Petrolite Holdings, Inc. (collectively, "Petrolite") filed a Demand for Arbitration with the American Arbitration Association in St. Louis, Missouri, against the Company and certain of its subsidiaries. Petrolite asserted claims for negligent misrepresentation and breach of contract arising out of a Technology Purchase Agreement (the "Agreement") between Petrolite and the Company (and certain of its subsidiaries) dated April 13, 1993, as amended, pursuant to which the Company sold various assets, including patent rights, to Petrolite for a purchase price of approximately \$8.5 million plus an obligation to pay royalties. Petrolite sought damages in an unspecified amount, rescission of the Agreement, costs, and other relief. On May 11, 1998, the Company and Petrolite agreed in principle to resolve all disputes between them and terminate the arbitration proceeding. In connection therewith, the Company agreed to pay Petrolite an undisclosed amount not to exceed the reserve previously taken on this matter.

Items 2, 3, 4 and 5 are inapplicable and have been omitted.

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

- (a) Exhibits.
  - Exhibit 27-Financial Data Schedule

(b) Reports on Form 8-K.  
No reports on Form 8-K were filed during the  
quarter for which this report is filed.

\* \* \* \* \*

-9-

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

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(Registrant)

/s/ Richard J. Fagen

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

Date: May 15, 1998

- 10 -



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