
**UNITED STATES
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 March 31, 2010

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 001-12019

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-0993790
(I.R.S. Employer
Identification No.)

One Quaker Park, 901 E. Hector Street,
Conshohocken, Pennsylvania
(Address of principal executive offices)

19428 – 2380
(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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 March 31, 2010**

11,151,787

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Quaker Chemical Corporation
Condensed Consolidated Balance Sheet

	Unaudited (Dollars in thousands, except par value and share amounts)	
	March 31, 2010	December 31, 2009*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24,820	\$ 25,051
Construction fund (restricted cash)	407	2,358
Accounts receivable, net	110,587	108,793
Inventories		
Raw materials and supplies	27,371	23,495
Work-in-process and finished goods	27,087	26,545
Prepaid expenses and other current assets	12,929	12,656
Total current assets	<u>203,201</u>	<u>198,898</u>
Property, plant and equipment, at cost	187,639	190,980
Less accumulated depreciation	(122,078)	(123,554)
Net property, plant and equipment	65,561	67,426
Goodwill	45,509	46,515
Other intangible assets, net	5,272	5,579
Investments in associated companies	8,836	8,824
Deferred income taxes	31,510	31,692
Other assets	46,941	39,537
Total assets	<u>\$ 406,830</u>	<u>\$ 398,471</u>
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 2,485	\$ 2,431
Accounts and other payables	56,949	60,939
Accrued compensation	10,443	16,656
Accrued pension and postretirement benefits	4,702	4,717
Other current liabilities	16,700	15,224
Total current liabilities	<u>91,279</u>	<u>99,967</u>
Long-term debt	71,099	63,685
Deferred income taxes	8,613	8,605
Accrued pension and postretirement benefits	26,865	27,602
Other non-current liabilities	45,859	42,317
Total liabilities	<u>243,715</u>	<u>242,176</u>
Equity		
Common stock \$1 par value; authorized 30,000,000 shares; issued and outstanding 2010 – 11,151,787; 2009 – 11,085,549 shares	11,152	11,086
Capital in excess of par value	30,277	27,527
Retained earnings	129,994	123,140
Accumulated other comprehensive loss	(14,058)	(10,439)
Total Quaker shareholders' equity	<u>157,365</u>	<u>151,314</u>
Noncontrolling interest	5,750	4,981
Total equity	<u>163,115</u>	<u>156,295</u>
Total liabilities and equity	<u>\$ 406,830</u>	<u>\$ 398,471</u>

* Condensed from audited financial statements

The accompanying notes are an integral part of these condensed consolidated financial statements.

Quaker Chemical Corporation
Condensed Consolidated Statement of Income

	Unaudited (Dollars in thousands, except per share and share amounts) Three Months Ended March 31,	
	2010	2009
Net sales	\$ 128,320	\$ 98,507
Cost of goods sold	80,980	69,793
Gross margin	47,340	28,714
Selling, general and administrative expenses	33,669	26,697
Restructuring and related activities	—	2,289
Operating income (loss)	13,671	(272)
Other income, net	763	1,454
Interest expense	(1,311)	(1,242)
Interest income	184	153
Income before taxes and equity in net loss of associated companies	13,307	93
Taxes (tax benefit) on income before equity in net loss of associated companies	3,181	(251)
Income before equity in net loss of associated companies	10,126	344
Equity in net loss of associated companies	(89)	(142)
Net income	10,037	202
Less: Net income attributable to noncontrolling interest	618	200
Net income attributable to Quaker Chemical Corporation	<u>\$ 9,419</u>	<u>\$ 2</u>
Per share data:		
Net income attributable to Quaker Chemical Corporation Common Shareholders – basic	\$ 0.85	\$ 0.00
Net income attributable to Quaker Chemical Corporation Common Shareholders – diluted	\$ 0.84	\$ 0.00
Dividends declared	\$ 0.23	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

Quaker Chemical Corporation
Condensed Consolidated Statement of Cash Flows

	Unaudited (Dollars in thousands) For the Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 10,037	\$ 202
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	2,593	2,458
Amortization	254	257
Equity in net loss of associated companies, net of dividends	89	142
Deferred compensation and other, net	289	(2,852)
Stock-based compensation	727	352
Restructuring and related activities	—	2,289
Gain on disposal of property, plant and equipment	(32)	(1,193)
Insurance settlement realized	(345)	(144)
Pension and other postretirement benefits	(2,265)	(1,907)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:		
Accounts receivable	(3,606)	7,196
Inventories	(5,332)	10,060
Prepaid expenses and other current assets	(1,360)	34
Accounts payable and accrued liabilities	(5,818)	(6,045)
Change in restructuring liabilities	—	(2,652)
Net cash (used in) provided by operating activities	<u>(4,769)</u>	<u>8,197</u>
Cash flows from investing activities		
Investments in property, plant and equipment	(2,042)	(2,375)
Proceeds from disposition of assets	41	1,605
Payments related to acquisitions	—	(1,000)
Insurance settlement received and interest earned	5,038	5,056
Change in restricted cash, net	(2,742)	(4,086)
Net cash provided by (used in) investing activities	<u>295</u>	<u>(800)</u>
Cash flows from financing activities		
Net decrease in short-term borrowings	—	(1,619)
Proceeds from long-term debt	7,583	1,584
Repayment of long-term debt	(122)	(7,728)
Dividends paid	(2,550)	(2,492)
Stock options exercised, other	135	69
Excess tax benefit related to stock option exercises	321	—
Net cash provided by (used in) financing activities	<u>5,367</u>	<u>(10,186)</u>
Effect of exchange rate changes on cash	<u>(1,124)</u>	<u>(126)</u>
Net decrease in cash and cash equivalents	(231)	(2,915)
Cash and cash equivalents at beginning of period	25,051	20,892
Cash and cash equivalents at end of period	<u>\$ 24,820</u>	<u>\$ 17,977</u>

Supplemental cash flow disclosures:
Non-cash activities:

Excess tax benefit related to stock option exercises	\$ 1,633	\$ —
Restricted insurance receivable (See also Note 13 of Notes to Condensed Consolidated Financial Statements)	5,000	5,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
(Unaudited)

Note 1 – Condensed Financial Information

The condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles in the United States for interim financial reporting and the United States Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (consisting only of normal recurring adjustments, except as discussed below) which are necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods. Certain reclassifications of prior years' data have been made to improve comparability. The results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the Company's Annual Report filed on Form 10-K for the year ended December 31, 2009.

Effective January 1, 2010, the Venezuelan economy was considered to be hyperinflationary under generally accepted accounting principles in the United States, since it has experienced a rate of general inflation in excess of 100% over the latest three-year period, based upon the blended Consumer Price Index and National Consumer Price Index. Accordingly, all gains and losses resulting from the remeasurement of the Company's Venezuelan 50% equity affiliate (Kelko Quaker Chemical, S.A.) are required to be recorded directly in the statement of operations. On January 8, 2010, the Venezuelan government announced the devaluation of the Bolivar Fuerte and the establishment of a two-tiered exchange structure. As a result of the devaluation, the Company recorded a charge of approximately \$0.03 per diluted share, in the first quarter of 2010.

The Company has been and will recognize certain accelerated and other costs in accordance with the retirement of the Company's former CEO. The Company expects to incur a final charge of \$1,265 later in 2010 related to the former CEO's supplemental retirement income plan.

As part of the Company's chemical management services, certain third-party product sales to customers are managed by the Company. Where the Company acts as principal, revenue is recognized on a gross reporting basis at the selling price negotiated with customers. Where the Company acts as agent, such revenue is recorded using net reporting as service revenues, at the amount of the administrative fee earned by the Company for ordering the goods. Third-party products transferred under arrangements resulting in net reporting totaled \$12,559 and \$4,831 for the three months ended March 31, 2010 and 2009, respectively.

Note 2 – Recently Issued Accounting Standards

The FASB updated its guidance regarding a vendor's multiple-deliverable arrangements in October 2009. The updated guidance establishes a selling price hierarchy to be followed in determining the selling price for each deliverable in multiple-deliverable arrangements, eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement using the relative selling price method and requires enhanced disclosure regarding multiple-deliverable arrangements. The guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The Company is currently assessing the impact of this guidance on its financial statements.

Note 3 – Restructuring and Related Activities

In the first quarter of 2009, Quaker's management implemented a restructuring program totaling \$2,289. The Company completed the initiatives under this program during 2009.

Note 4 – Income Taxes and Uncertain Income Tax Positions

The Company's low first quarter effective tax rate of 24% reflects the expiration of applicable statutes of limitations for uncertain tax positions of approximately \$0.11 per diluted share. The tax benefit recorded in the first quarter of 2009 reflects no tax provided on the gain related to the Company's disposition of land in Europe due to the utilization of net operating losses not previously benefited.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

The FASB's guidance regarding accounting for uncertainty in income taxes prescribes the recognition threshold and measurement attributes for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The guidance further requires the determination of whether the benefits of tax positions will be more likely than not sustained upon audit based upon the technical merits of the tax position. For tax positions that are determined to be more likely than not sustained upon audit, a company recognizes the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not determined to be more likely than not sustained upon audit, a company does not recognize any portion of the benefit in the financial statements. Additionally, the guidance provides for derecognition, classification, penalties and interest, accounting in interim periods, disclosure and transition.

At December 31, 2009, the Company's cumulative liability for gross unrecognized tax benefits was \$10,686. As of March 31, 2010, the Company's cumulative liability for gross unrecognized tax benefits was \$9,978.

The Company continues to recognize interest and penalties associated with uncertain tax positions as a component of taxes on income in its Consolidated Statement of Income. The Company had accrued \$1,850 for cumulative interest and \$911 for cumulative penalties at December 31, 2009. The Company has recognized (\$104) for interest and \$118 for penalties on its Consolidated Statement of Income for the three-month period ended March 31, 2010 and at that date, the Company had accrued \$1,649 for cumulative interest and \$992 for cumulative penalties.

During the quarter ended March 31, 2010, the Company derecognized several uncertain tax positions due to expiration of the applicable statutes of limitations for certain tax years. As a result, the Company recognized a \$923 decrease in its cumulative liability for gross unrecognized tax benefits. The Company estimates that during the year ended December 31, 2010 it will reduce its cumulative liability for gross unrecognized tax benefits by approximately \$1,800 to \$1,900 due to the expiration of the statute of limitations with regard to certain tax positions. This estimated reduction in the cumulative liability for unrecognized tax benefits does not consider any increase in liability for unrecognized tax benefits with regard to existing tax positions or any increase in cumulative liability for unrecognized tax benefits with regard to new tax positions for the year ended December 31, 2010.

The Company and its subsidiaries are subject to U.S. Federal income tax, as well as the income tax of various state and foreign tax jurisdictions. Tax years that remain subject to examination by major tax jurisdictions include the Netherlands and United Kingdom from 2004, Italy, Brazil, China and Spain from 2005, United States from 2006, France from 2008, and various domestic state tax jurisdictions from 1993.

Note 5 – Fair Value Measurements

The FASB's guidance regarding fair value measurements establishes a common definition for fair value to be applied to guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. The guidance does not require any new fair value measurements, but rather applies to all other accounting guidance that requires or permits fair value measurements.

The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company values its interest rate swaps, company-owned life insurance policies and various deferred compensation assets and liabilities at fair value. The Company's assets and liabilities subject to fair value measurement are as follows (in thousands):

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

	Fair Value as of March 31, 2010	Fair Value Measurements at March 31, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets				
Company-owned life insurance	\$ 1,934	\$ —	\$ 1,934	\$ —
Company-owned life insurance - Deferred compensation assets	587	—	587	—
Other deferred compensation assets				
Large capitalization registered investment companies	64	64	—	—
Mid capitalization registered investment companies	4	4	—	—
Small capitalization registered investment companies	7	7	—	—
International developed and emerging markets registered investment companies	37	37	—	—
Fixed income registered investment companies	10	10	—	—
Total	\$ 2,643	\$ 122	\$ 2,521	\$ —
Liabilities				
Deferred compensation liabilities				
Large capitalization registered investment companies	\$ 586	\$ 586	\$ —	\$ —
Mid capitalization registered investment companies	77	77	—	—
Small capitalization registered investment companies	122	122	—	—
International developed and emerging markets registered investment companies	195	195	—	—
Fixed income registered investment companies	51	51	—	—
Fixed general account	175	—	175	—
Interest rate derivatives	1,956	—	1,956	—
Total	\$ 3,162	\$ 1,031	\$ 2,131	\$ —
Assets				
Fair Value Measurements at December 31, 2009				
	Fair Value as of December 31, 2009	Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Company-owned life insurance	\$ 1,869	\$ —	\$ 1,869	\$ —
Company-owned life insurance - Deferred compensation assets	622	—	622	—
Other deferred compensation assets				
Large capitalization registered investment companies	64	64	—	—
Mid capitalization registered investment companies	4	4	—	—
Small capitalization registered investment companies	7	7	—	—
International developed and emerging markets registered investment companies	39	39	—	—
Fixed income registered investment companies	11	11	—	—
Total	\$ 2,616	\$ 125	\$ 2,491	\$ —

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

	Fair Value as of December 31, 2009	Fair Value Measurements at December 31, 2009 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities				
Deferred compensation liabilities				
Large capitalization registered investment companies	\$ 557	\$ 557	\$ —	\$ —
Mid capitalization registered investment companies	98	98	—	—
Small capitalization registered investment companies	108	108	—	—
International developed and emerging markets registered investment companies	205	205	—	—
Fixed income registered investment companies	64	64	—	—
Fixed general account	184	—	184	—
Interest rate derivatives	2,160	—	2,160	—
Total	\$ 3,376	\$ 1,032	\$ 2,344	\$ —

The fair values of Company-owned life insurance (“COLI”) and COLI deferred compensation assets are based on quotes for like instruments with similar credit ratings and terms. The fair values of Other deferred compensation assets and liabilities are based on quoted prices in active markets, with the exception of the fixed general account, which is based on quotes for like instruments with similar credit ratings and terms. The fair values of interest rate derivatives are based on quoted market prices from various banks for similar instruments. Upon review of the underlying assets upon which the deferred compensation liabilities are based, the Company reclassified the fixed general account from Level 1 to Level 2 as of December 31, 2009.

Note 6 – Hedging Activities

The Company is exposed to the impact of changes in interest rates, foreign currency fluctuations, changes in commodity prices and credit risk. The Company does not use derivative instruments to mitigate the risks associated with foreign currency fluctuations, changes in commodity prices or credit risk. Quaker uses interest rate swaps to mitigate the impact of changes in interest rates. The swaps convert a portion of the Company’s variable interest rate debt to fixed interest rate debt and are designated as cash flow hedges and reported on the balance sheet at fair value. The effective portions of the hedges are reported in Other Comprehensive Income (“OCI”) until reclassified to earnings during the same period the hedged item affects earnings. The Company has no derivatives designated as fair value hedges and only has derivatives designated as hedging instruments under the FASB’s guidance. The notional amount of the Company’s interest rate swaps was \$40,000 as of March 31, 2010 and December 31, 2009.

Information about the Company’s interest rate derivatives is as follows (in thousands of dollars):

	Balance Sheet Location	Fair Value	
		March 31, 2010	December 31, 2009
Derivatives designated as cash flow hedges:			
Interest rate swaps	Other current liabilities	\$ 753	\$ 1,006
Interest rate swaps	Other non-current liabilities	1,203	1,154
		<u>\$ 1,956</u>	<u>\$ 2,160</u>

**Cash Flow Hedges
Interest Rate Swaps**

		Three Months Ended March 31,	
		<u>2010</u>	<u>2009</u>
Amount of Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)		<u>\$ 105</u>	<u>\$ 68</u>
Amount and Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			
	Interest Expense	<u>\$ (454)</u>	<u>\$ (329)</u>
Amount and Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)			
	Other Income	<u>\$ —</u>	<u>\$ —</u>

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

Note 7 – Stock-Based Compensation

The Company recognized approximately \$727 of share-based compensation expense for the three months ended March 31, 2010. The compensation expense was comprised of \$95 related to stock options, \$292 related to nonvested stock awards, \$11 related to the Company’s Employee Stock Purchase Plan, \$297 related to the Company’s non elective 401(k) matching contribution in stock, and \$32 related to the Company’s Director Stock Ownership Plan. The Company also recognized \$321 of excess tax benefits related to stock option exercises in the first quarter of 2010.

Based on historical experience, the Company has assumed a forfeiture rate of 13% on the nonvested stock. The Company will record additional expense if the actual forfeiture rate is lower than estimated, and will record a recovery of prior expense if the actual forfeiture is higher than estimated.

The Company has a long-term incentive program (“LTIP”) for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Most options become exercisable between one and three years after the date of the grant for a period of time determined by the Company not to exceed seven years from the date of grant for options issued in 1999 or later. Common stock awards issued under the LTIP program are subject only to time vesting over a three to five-year period. In addition, as part of the Company’s Global Annual Incentive Plan (“GAIP”), nonvested shares may be issued to key employees, which generally vest over a two to five-year period.

Stock option activity under all plans is as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)
Balance at December 31, 2009	526,508	\$ 16.66	
Options granted	110,939	18.82	
Options exercised	(5,871)	13.25	
Options expired	(4,800)	20.18	
Balance at March 31, 2010	626,776	\$ 17.05	4.0
Exercisable at March 31, 2010	387,795	\$ 19.32	2.6

As of March 31, 2010, the total intrinsic value of options outstanding was approximately \$6,164, and the total intrinsic value of exercisable options was \$2,933. Intrinsic value is calculated as the difference between the current market price of the underlying security and the strike price of a related option.

A summary of the Company’s outstanding stock options at March 31, 2010 is as follows:

Range of Exercise Prices	Number Outstanding at 3/31/2010	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable at 3/31/2010	Weighted Average Exercise Price
\$5.33 - \$7.98	162,919	5.9	\$ 6.93	52,262	\$ 6.93
\$7.99 - \$18.62	—	—	—	—	—
\$18.63 - \$21.28	313,344	4.0	19.33	185,020	19.63
\$21.29 - \$23.94	131,513	2.1	22.82	131,513	22.82
\$23.95 - \$26.60	19,000	1.0	26.05	19,000	26.05
	626,776	4.0	17.05	387,795	19.32

As of March 31, 2010, unrecognized compensation expense related to options granted during 2008 was \$60, for options granted during 2009 was \$216 and for options granted in 2010 was \$647.

During the first quarter of 2010, the Company granted 110,939 stock options under the Company’s LTIP plan that are subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 5.1%, expected volatility of 53.72%, a risk free interest rate of 2.85%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately \$38 of expense was recorded on these options during the first quarter of 2010. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

Under the Company’s LTIP plan, 158,207 shares of nonvested stock were outstanding at December 31, 2009. In the first quarter of 2010, 41,204 shares of nonvested stock were granted at a weighted average grant date fair value of \$18.82. As of March 31, 2010, no shares were forfeited, 16,600 shares vested and 182,811 were outstanding. The fair value of the nonvested stock is based on the trading price of the Company’s common stock on the date of grant. The Company adjusts the grant date fair value for expected forfeitures based on historical experience for similar awards. As of March 31, 2010, unrecognized compensation expense related to these awards was \$1,341, to be recognized over a weighted average remaining period of 2.22 years.

Under the Company’s GAIP plan, 69,675 shares were outstanding at December 31, 2009. Through March 31, 2010, no shares were granted, 4,375 shares vested, 750 shares were forfeited and 64,550 shares were outstanding. As of March 31, 2010, unrecognized compensation expense related to these awards was \$332, to be recognized over a weighted average remaining period of 2.0 years.

Employee Stock Purchase Plan

In 2000, the Board adopted an Employee Stock Purchase Plan (“ESPP”) whereby employees may purchase Company stock through a payroll deduction plan. Purchases are made from the plan and credited to each participant’s account at the end of each month, the “Investment Date.” The purchase price of the stock is 85% of the fair market value on the Investment Date. The plan is compensatory and the 15% discount is expensed on the Investment Date. All employees, including officers, are eligible to participate in this plan. A participant may withdraw all uninvested payment balances credited to a participant’s account at any time by giving written notice to the Committee. An employee whose stock ownership of the Company exceeds five percent of the outstanding common stock is not eligible to participate in this plan.

2003 Director Stock Ownership Plan

In March 2003, the Company’s Board of Directors approved a stock ownership plan for each member of the Company’s Board to encourage the Directors to increase their investment in the Company. The Plan was effective on the date it was approved and remains in effect for a term of ten years or until it is earlier terminated by the Board. The maximum number of shares of Common Stock which may be issued under the Plan is 75,000, subject to certain conditions that the Compensation/Management Development Committee (the “Committee”) may elect to adjust the number of shares. As of December 31, 2009, the Committee has not made any elections to adjust the shares under this plan. Each Director is eligible to receive an annual retainer for services rendered as a member of the Board of Directors. Currently, each Director who owns less than 7,500 shares of Company Common Stock is required to receive 75% of the annual retainer in Common Stock and 25% of the annual retainer in cash. Each Director who owns 7,500 or more shares of Company Common Stock receives 25% of the annual retainer in Common Stock and 75% of the annual retainer in cash with the option to receive Common Stock in lieu of the cash portion of the retainer. Currently, the annual retainer is \$32. The number of shares issued in payment of the fees is calculated based on an amount equal to the average of the closing prices per share of Common Stock as reported on the composite tape of the New York Stock Exchange for the two trading days immediately preceding the retainer payment date. The retainer payment date is June 1. The Company recorded \$32 for each of the three months ended March 31, 2010 and 2009.

Note 8 – Earnings Per Share

The Company applies FASB’s guidance regarding the calculation of earnings per share using the two-class method. The Company includes nonvested stock awards with rights to non-forfeitable dividends as part of its basic weighted average share calculation.

The following table summarizes earnings per share (EPS) calculations:

	Three Months Ended March 31,	
	2010	2009
Basic Earnings per Common Share		
Net income attributable to Quaker Chemical Corporation	\$ 9,419	\$ 2
Less: income allocated to participating securities	(202)	(21)
Net income (loss) available to common shareholders	\$ 9,217	\$ (19)
Basic weighted average common shares outstanding	10,879,225	10,745,286
Basic earnings per common share	\$ 0.85	\$ 0.00
Diluted Earnings per Common Share		
Net income attributable to Quaker Chemical Corporation	\$ 9,419	\$ 2
Less: income allocated to participating securities	(201)	(21)
Net income (loss) available to common shareholders	\$ 9,218	\$ (19)
Basic weighted average common shares outstanding	10,879,225	10,745,286
Effect of dilutive securities, common shares outstanding	118,513	—
Diluted weighted average common shares outstanding	10,997,738	10,745,286
Diluted earnings per common share	\$ 0.84	\$ 0.00

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

The following number of stock options are not included in the diluted earnings per share since in each case the exercise price is greater than the market price and the effect would have been anti-dilutive: 142,413 and 529,608 for the three months ended March 31, 2010 and 2009, respectively.

Note 9 – Business Segments

The Company organizes its segments by type of product sold. The Company's reportable segments are as follows:

- (1) Metalworking process chemicals – industrial process fluids for various heavy industrial and manufacturing applications.
- (2) Coatings – temporary and permanent coatings for metal and concrete products and chemical milling maskants.
- (3) Other chemical products – other various chemical products.

Segment data includes direct segment costs as well as general operating costs.

The table below presents information about the reported segments:

	Three Months Ended	
	March 31,	
	2010	2009
Metalworking Process Chemicals		
Net Sales	\$ 121,205	\$ 90,799
Operating Income	25,519	9,639
Coatings		
Net Sales	6,764	7,300
Operating Income	1,408	1,526
Other Chemical Products		
Net Sales	351	408
Operating Income	(57)	(64)
Total		
Net Sales	128,320	98,507
Operating Income	26,870	11,101
Restructuring and related charges	—	(2,289)
Non-operating expenses	(12,945)	(8,827)
Amortization	(254)	(257)
Interest expense	(1,311)	(1,242)
Interest income	184	153
Other income, net	763	1,454
Consolidated income before taxes and equity in net loss of associated companies	\$ 13,307	\$ 93

Operating income comprises revenue less related costs and expenses. Non-operating items primarily consist of general corporate expenses identified as not being a cost of operation, interest expense, interest income, and license fees from non-consolidated affiliates.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

Note 10 – Equity, Noncontrolling Interest and Comprehensive Income (Loss)

The following table presents the changes in equity, noncontrolling interest and comprehensive income (loss) for the three months ended March 31, 2010 and 2009:

	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling Interest	Comprehensive Income (Loss)	Total
Balance at December 31, 2009	<u>\$ 11,086</u>	<u>\$ 27,527</u>	<u>\$ 123,140</u>	<u>\$ (10,439)</u>	<u>\$ 4,981</u>		<u>\$ 156,295</u>
Net income	—	—	9,419		618	\$ 10,037	
Currency translation adjustments	—	—	—	(3,998)	151	(3,847)	
Defined benefit retirement plans	—	—	—	269	—	269	
Current period changes in fair value of derivatives	—	—	—	105	—	105	
Unrealized gain on available-for-sale securities	—	—	—	5	—	5	
Comprehensive income						6,569	6,569
Comprehensive loss attributable to noncontrolling interest						(769)	
Comprehensive income attributable to Quaker Chemical Corporation						<u>\$ 5,800</u>	
Dividends (\$0.23 per share)	—	—	(2,565)	—	—		(2,565)
Share issuance and equity-based compensation plans	66	796	—	—	—		862
Excess tax benefit from stock option exercises	—	1,954	—	—	—		1,954
Balance at March 31, 2010	<u>\$ 11,152</u>	<u>\$ 30,277</u>	<u>\$ 129,994</u>	<u>\$ (14,058)</u>	<u>\$ 5,750</u>		<u>\$ 163,115</u>
Balance at December 31, 2008	<u>\$ 10,833</u>	<u>\$ 25,238</u>	<u>\$ 117,089</u>	<u>\$ (27,237)</u>	<u>\$ 3,952</u>		<u>\$ 129,875</u>
Net income	—	—	2		200	\$ 202	
Currency translation adjustments	—	—	—	(2,599)	(64)	(2,663)	
Defined benefit retirement plans	—	—	—	289	—	289	
Current period changes in fair value of derivatives	—	—	—	68	—	68	
Unrealized loss on available-for-sale securities	—	—	—	(11)	—	(11)	
Comprehensive loss						(2,115)	(2,115)
Comprehensive loss attributable to noncontrolling interest						(136)	
Comprehensive loss attributable to Quaker Chemical Corporation						<u>\$ (2,251)</u>	
Share issuance and equity-based compensation plans	164	257	—	—	—		421
Balance at March 31, 2009	<u>\$ 10,997</u>	<u>\$ 25,495</u>	<u>\$ 117,091</u>	<u>\$ (29,490)</u>	<u>\$ 4,088</u>		<u>\$ 128,181</u>

During the first quarter of 2010, the Company recorded \$1,954 of excess tax benefits in capital in excess of par value on its Condensed Consolidated Balance Sheet, related to stock option exercises, which occurred over prior years. Previously, the Company's actual taxable income in affected jurisdictions was not sufficient to recognize these benefits, while the Company's full-year 2010 projection of taxable income is expected to be sufficient to recognize these benefits. As a result, the Company recognized \$321 of these benefits as a cash inflow from financing activities in its Condensed Consolidated Statement of Cash Flows which represents the Company's estimate of cash savings through March 31, 2010.

Note 11 – Goodwill and Other Intangible Assets

The changes in carrying amount of goodwill for the three months ended March 31, 2010 are as follows. The Company has recorded no impairment charges in the past:

	Metalworking Process Chemicals	Coatings	Total
Balance as of December 31, 2009	\$ 38,434	\$ 8,081	\$46,515
Currency translation adjustments	(1,006)	—	(1,006)
Balance as of March 31, 2010	<u>\$ 37,428</u>	<u>\$ 8,081</u>	<u>\$45,509</u>

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

Gross carrying amounts and accumulated amortization for definite-lived intangible assets as of March 31, 2010 and December 31, 2009 are as follows:

	Gross Carrying Amount		Accumulated Amortization	
	2010	2009	2010	2009
Amortized intangible assets				
Customer lists and rights to sell	\$ 8,255	\$ 8,373	\$ 4,497	\$ 4,428
Trademarks and patents	1,788	1,788	1,788	1,788
Formulations and product technology	3,278	3,278	2,514	2,450
Other	3,373	3,409	3,223	3,203
Total	<u>\$16,694</u>	<u>\$16,848</u>	<u>\$12,022</u>	<u>\$11,869</u>

The Company recorded \$254 and \$257 of amortization expense in the first three months of 2010 and 2009, respectively. Estimated annual aggregate amortization expense for the current year and subsequent five years is as follows:

For the year ended December 31, 2010	\$886
For the year ended December 31, 2011	\$818
For the year ended December 31, 2012	\$721
For the year ended December 31, 2013	\$540
For the year ended December 31, 2014	\$305
For the year ended December 31, 2015	\$305

The Company has one indefinite-lived intangible asset of \$600 for trademarks recorded in connection with the Company's 2002 acquisition of Epmar.

Note 12 – Pension and Other Postretirement Benefits

The components of net periodic benefit cost are as follows:

	Three Months Ended March 31,			
	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 511	\$ 499	\$ 4	\$ 5
Interest cost and other	1,530	1,602	99	143
Expected return on plan assets	(1,384)	(1,183)	—	—
Other amortization, net	402	427	13	25
Net periodic benefit cost	<u>\$ 1,059</u>	<u>\$ 1,345</u>	<u>\$ 116</u>	<u>\$ 173</u>

Employer Contributions:

The Company previously disclosed in its financial statements for the year ended December 31, 2009, that it expected to make minimum cash contributions of \$8,578 to its pension plans and \$802 to its other postretirement benefit plan in 2010. As of March 31, 2010, \$3,263 and \$203 of contributions have been made, respectively.

Note 13 – Commitments and Contingencies

In April of 1992, the Company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly owned subsidiary. In voluntary coordination with the Santa Ana California Regional Water Quality Board, ACP has been remediating the contamination, the principal contaminant of which is perchloroethylene ("PERC"). On or about December 18, 2004, the Orange County Water District ("OCWD") filed a civil complaint in Superior Court, in Orange County, California against ACP and other parties potentially responsible for groundwater contamination. OCWD was seeking to recover compensatory and other damages related to the investigation and remediation of the contamination in the groundwater. Effective October 17, 2007, ACP and OCWD settled all claims related to this litigation. Pursuant to the settlement agreement with OCWD, ACP agreed to pay \$2,000 in two equal payments of \$1,000 (the first payment paid October 31, 2007 and the second payment paid on February 15, 2008). In addition to the \$2,000 payment, ACP agreed to operate the two existing groundwater treatment systems associated with its extraction wells P-2 and P-3 so as to hydraulically contain groundwater contamination emanating from ACP's site until such time as the concentrations of PERC are below the Federal maximum contaminant level for four consecutive quarterly sampling events. During the third quarter of 2007, the Company recognized a \$3,300 charge made up of \$2,000 for the settlement of the litigation, plus an increase in its reserve for its soil and water remediation program of \$1,300. As of March 31, 2010, the Company believes that the range of potential-known liabilities associated with ACP contamination including the water and soil remediation program, is approximately \$1,600 to \$2,700, for which the Company has sufficient reserves.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

The low and high ends of the range are based on the length of operation of the two extraction wells as determined by groundwater modeling with planned higher maintenance costs in later years if a longer treatment period is required. Costs of operation include the operation and maintenance of the extraction wells, groundwater monitoring, one-time expenses to insure P-3 is hydraulically containing the PERC plume and program management. The duration of the well operation was estimated based on historical trends in concentrations in the monitoring wells within the proximity of the applicable extraction wells. Also factored into the model was the impact of water injected into the underground aquifer from a planned recharge basin adjacent to the ACP site as well as from an injection well to be installed and operated by OCWD as part of the groundwater treatment system for contaminants which are the subject of the aforementioned litigation. Based on the modeling, it is estimated that P-2 will operate for another two years and P-3 will operate for three years to up to six years. Operation and maintenance costs were based on historical expenditures and estimated inflation. As mentioned above, a significantly higher maintenance expense was factored into the range if the system operates for the longer period. Also included in the reserve are anticipated expenditures to operate an on-site soil vapor extraction system.

The Company believes, although there can be no assurance regarding the outcome of other unrelated environmental matters, that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately \$99 was accrued at March 31, 2010 and December 31, 2009, respectively, to provide for such anticipated future environmental assessments and remediation costs.

An inactive subsidiary of the Company that was acquired in 1978 sold certain products containing asbestos, primarily on an installed basis, and is among the defendants in numerous lawsuits alleging injury due to exposure to asbestos. The subsidiary discontinued operations in 1991 and has no remaining assets other than the proceeds from insurance settlements received. To date, the overwhelming majority of these claims have been disposed of without payment and there have been no adverse judgments against the subsidiary. Based on a continued analysis of the existing and anticipated future claims against this subsidiary, it is currently projected that the subsidiary's total liability over the next 50 years for these claims is approximately \$8,500 (excluding costs of defense). Although the Company has also been named as a defendant in certain of these cases, no claims have been actively pursued against the Company, and the Company has not contributed to the defense or settlement of any of these cases pursued against the subsidiary. These cases were handled by the subsidiary's primary and excess insurers who had agreed in 1997 to pay all defense costs and be responsible for all damages assessed against the subsidiary arising out of existing and future asbestos claims up to the aggregate limits of the policies. A significant portion of this primary insurance coverage was provided by an insurer that is now insolvent, and the other primary insurers have asserted that the aggregate limits of their policies have been exhausted. The subsidiary challenged the applicability of these limits to the claims being brought against the subsidiary. In response, two of the three carriers entered into separate settlement and release agreements with the subsidiary in late 2005 and in the first quarter of 2007 for \$15,000 and \$20,000, respectively. The payments under the latest settlement and release agreement were structured to be received over a four-year period with annual installments of \$5,000, the final installment which was received in the first quarter of 2010. The proceeds of both settlements are restricted and can only be used to pay claims and costs of defense associated with the subsidiary's asbestos litigation. During the third quarter of 2007, the subsidiary and the remaining primary insurance carrier entered into a Claim Handling and Funding Agreement, under which the carrier will pay 27% of defense and indemnity costs incurred by or on behalf of the subsidiary in connection with asbestos bodily injury claims for a minimum of five years beginning July 1, 2007. At the end of the term of the agreement, the subsidiary may choose to again pursue its claim against this insurer regarding the application of the policy limits. The Company also believes, that if the coverage issues under the primary policies with the remaining carrier are resolved adversely to the subsidiary and all settlement proceeds were used, the subsidiary may have limited additional coverage from a state guarantee fund established following the insolvency of one of the subsidiary's primary insurers. Nevertheless, liabilities in respect of claims may exceed the assets and coverage available to the subsidiary.

If the subsidiary's assets and insurance coverage were to be exhausted, claimants of the subsidiary may actively pursue claims against the Company because of the parent-subsidiary relationship. Although asbestos litigation is particularly difficult to predict, especially with respect to claims that are currently not being actively pursued against the Company, the Company does not believe that such claims would have merit or that the Company would be held to have liability for any unsatisfied obligations of the subsidiary as a result of such claims. After evaluating the nature of the claims filed against the subsidiary and the small number of such claims that have resulted in any payment, the potential availability of additional insurance coverage at the subsidiary level, the additional availability of the Company's own insurance and the Company's strong defenses to claims that it should be held responsible for the subsidiary's obligations because of the parent-subsidiary relationship, the Company believes it is not probable that the Company will incur any material losses. All of the asbestos cases pursued against the Company challenging the parent-subsidiary relationship are in the early stages of litigation. The Company has been successful in the past having claims naming it dismissed during initial proceedings. Since the Company may be in this early stage of litigation for some time, it is not possible to estimate additional losses or range of loss, if any.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements—Continued
(Dollars in thousands, except per share amounts)
(Unaudited)

The Company is party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Executive Summary

Quaker Chemical Corporation is a leading global provider of process chemicals, chemical specialties, services, and technical expertise to a wide range of industries—including steel, automotive, mining, aerospace, tube and pipe, coatings and construction materials. Our products, technical solutions, and chemical management services enhance our customers’ processes, improve their product quality, and lower their costs.

The revenue and earnings growth in the first quarter 2010 compared to the first quarter of 2009 was primarily due to a 35% increase in product volumes across the globe as the Company continued to recover from the economic downturn. The gross margin percentage improved due to cost reduction actions, a more favorable raw material cost environment and reduced automotive chemical management services (“CMS”) revenues reported on a gross basis. The Company’s selling, general and administrative expenses increased \$7.0 million primarily due to higher incentive compensation, foreign exchange rate translation and higher selling costs on increased sales.

The first quarter 2010 results included a charge of \$0.03 per diluted share related to devaluation of Venezuelan Bolivar Fuerte, as well as a benefit of \$0.11 per diluted share related to the expiration of applicable statutes of limitations for uncertain tax positions. The first quarter 2009 results included a restructuring charge of \$0.14 per diluted share and a gain of \$0.11 per diluted share related to the disposition of land in Europe.

The net result was earnings per diluted share of \$0.84 for the first quarter of 2010, a considerable improvement over the breakeven results in the first quarter of 2009. The improvement was driven by high steel industry demand in China, Brazil, India and Russia while industrial demand in North America and Europe continues to gradually recover from depressed levels.

While the Company continues to add new business and will benefit from continued improvement in key steel and automotive markets, the Company anticipates somewhat lower product volumes for the second half compared to the first half of 2010. This is primarily due to credit-tightening actions in China, seasonal factors relating to timing of shipments to certain customers, the ending of inventory restocking in the Company’s end use markets and the conclusion of tax incentives for automotive purchases in several countries. The combination of somewhat lower expected demand in the second half of 2010, the lag effects as the Company recovers its margins due to higher raw material costs and our continued investment in key growth initiatives will likely dampen earnings over the remaining quarters for 2010. However, the Company expects to deliver strong earnings over the rest of 2010 as the remaining quarters are still expected to equal or exceed the earnings we achieved in 2008 before the global economic crisis began. Longer-term, the Company expects to see good growth in our key markets as we are well positioned in the fastest growing economies as well as the expected above normal growth in the more mature markets as they recover over the coming years.

CMS Discussion

In 2003, the Company began to substantially increase the size and scope of its CMS contracts. The Company currently has more than 50 CMS contracts in North America, as well as additional CMS contracts in other areas of the world. Under its traditional CMS approach, the Company effectively acts as an agent, and the revenues and costs from these sales are reported on a net sales or “pass-through” basis. Under certain of its CMS contracts, the contracts are structured differently in that the Company’s revenue received from the customer is a fee for products and services provided to the customer, which are indirectly related to the actual costs incurred. Under this alternative structure, profit is dependent on how well the Company controls product costs and achieves product conversions from other third-party suppliers to its own products. As a result, under this structure, the Company recognizes in reported revenue the gross revenue received from the CMS site customer, and in cost of goods sold the third-party product purchases, which substantially offset each other until the Company achieves significant product conversions, which may result in a decrease in reported gross margin as a percentage of sales.

In 2009, the Company had a mix of contracts with both the traditional product pass-through structure and fixed price contracts covering all services and products. As a result of the global economic downturn and its impact in the automotive sector, during 2009 and early 2010, the Company has experienced a shift in customer requirements and business circumstances where the majority of CMS contracts have reverted to the traditional product pass-through structure. However, the Company’s offerings will continue to include both approaches to CMS.

Liquidity and Capital Resources

Quaker’s cash and cash equivalents decreased to \$24.8 million at March 31, 2010 from \$25.1 million at December 31, 2009. The \$0.3 million decrease resulted primarily from \$4.8 million of cash used in operating activities, \$0.3 million of cash provided by investing activities and \$5.4 million of cash provided by financing activities.

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Net cash flows used in operating activities were \$4.8 million in the first quarter of 2010 compared to \$8.2 million of cash provided by operating activities in the first quarter of 2009. The Company's improvement in net income was more than offset by increased investments in working capital. During the first quarter of 2009, the Company experienced significantly lower business activity as a result of the global economic downturn, which, in turn, greatly reduced the Company's investment in working capital. As business volumes continued to increase throughout 2009 and in the first quarter of 2010, the Company's need for working capital investment correspondingly increased. The Company has also been building its safety stock levels of certain inventory in response to shortages and related to the startup of our Middletown, Ohio plant expansion. The timing of incentive compensation payments in the first quarter of 2010 was the most significant factor other than changing business activity affecting the accounts payable and other accrued liabilities comparisons. In 2008, the Company's results were below performance targets for incentive compensation, while in 2009 the Company exceeded performance targets. The Company's first quarter 2009 disposition of land in Europe also impacted the cash flow comparisons.

Net cash flows provided by investing activities were \$0.3 million in the first quarter of 2010 compared to \$0.8 million of cash used in investing activities in the first quarter of 2009. The change in cash flow was driven by the first quarter 2009 final \$1.0 million payment related to the 2005 acquisition of the remaining 40% interest in the Company's Brazilian joint venture, the first quarter 2009 proceeds from disposition of land in Europe and increased 2010 cash flow from the Company's construction fund related to the Company's expansion of its Middletown, Ohio manufacturing facility.

In the first quarter of 2007, an inactive subsidiary of the Company reached a settlement agreement and release with one of its insurance carriers for \$20.0 million. The proceeds of the settlement are restricted and can only be used to pay claims and costs of defense associated with this subsidiary's asbestos litigation. The payments were structured to be received over a four-year period with annual installments of \$5.0 million, the final installment which was received in the first quarter of 2010. During the third quarter of 2007, the same inactive subsidiary and one of its insurance carriers entered into a Claim Handling and Funding Agreement, under which the carrier will pay 27% of the defense and indemnity costs incurred by or on behalf of the subsidiary in connection with asbestos bodily injury claims for a minimum of five years beginning July 1, 2007.

Net cash flows provided by financing activities were \$5.4 million for the first quarter of 2010, compared to \$10.2 million of cash used in financing activities for the first quarter of 2009. The majority of the change was the result of net debt borrowings in 2010 compared to net debt repayments in 2009. In the first quarter of 2010, the Company borrowed primarily to fund working capital needs from increased business activity as well as the timing of payments of incentive compensation. In the first quarter of 2009, the cash flow generated from reduced working capital investments as a result of significantly curtailed business volumes enabled the debt repayments.

The Company's primary credit line is a \$125.0 million syndicated multicurrency credit agreement with Bank of America, N.A. (administrative agent) and certain other major financial institutions, which expires in 2012. At March 31, 2010 and December 31, 2009, the Company had approximately \$54.0 million and \$46.4 million outstanding, respectively. The Company's access to this credit is largely dependent on its consolidated leverage ratio covenant, which could not exceed 3.75 to 1 at March 31, 2010 and December 31, 2009. The Company's consolidated leverage ratio was below 2.0 to 1 at both March 31, 2010 and December 31, 2009. As discussed in a Current Report on Form 8-K filed on February 20, 2009, the Company amended its credit facility to provide covenant relief related to the 2008 and 2009 restructuring programs and the CEO transition costs and temporarily increased the maximum permitted leverage ratio through March 31, 2010. Going forward, the Company's consolidated leverage ratio cannot exceed 3.5 to 1. In February 2009, the Company also amended two Industrial Revenue Bonds totaling \$15.0 million to provide for the same changes in terms as the credit facility. The Company has entered into interest rate swaps with a combined notional value of \$40.0 million as of March 31, 2010, in order to fix a portion of its variable rate debt. Outstanding financial derivative instruments may expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. To manage credit risk, the Company limits its exposure to any single counterparty. However, the Company does not expect any of the counterparties to fail to meet their obligations.

At March 31, 2010, the Company's gross liability for uncertain tax positions, including accrued interest and penalties, was \$12.6 million. The Company cannot determine a reliable estimate of the timing of cash flows by period related to its uncertain tax position liability. However, should the entire liability be paid, the amount of the payment may be reduced by up to \$6.1 million as a result of offsetting benefits in other tax jurisdictions.

The Company's net debt-to-total-capital ratio remained strong at 24% as of March 31, 2010, compared to 31% as of March 31, 2009 and 20% as of December 31, 2009. The Company believes it is capable of supporting its operating requirements, including pension plan contributions, payments of dividends to shareholders, possible acquisitions and business opportunities, capital expenditures and possible resolution of contingencies, through internally generated funds supplemented with debt or equity as needed.

Operations

Comparison of First Quarter 2010 with First Quarter of 2009

Net sales for the first quarter were \$128.3 million, up 30% from \$98.5 million for the first quarter of 2009. The increase in net sales was a result of higher volumes across the globe as the Company continues to recover from the economic downturn. Product volumes increased 35%, partially offset by a 5% decline in selling price and mix. Foreign exchange rates increased revenues by approximately 7%, which was offset by lower automotive CMS revenue as a result of lower revenue reported on a gross basis. On a sequential quarterly basis product volumes increased by approximately 3%.

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The gross margin percentage of 36.9% represents considerable improvement over the 29.1% reported in the first quarter of 2009. This margin expansion was primarily the result of higher volumes, cost reduction actions taken, a more favorable raw material cost environment and the reduced automotive CMS revenues reported on a gross basis. The increase in gross margin percentage from the fourth quarter of 2009 was due to reduced CMS revenues reported on a gross basis, partially offset by higher costs related to the start-up of the Middletown, Ohio plant expansion, as well as increasing raw material prices and mix.

Selling, general and administrative expenses increased \$7.0 million, or 26%, compared to the first quarter of 2009. Higher incentive compensation in the first quarter of 2010, compared to reductions of incentive compensation accruals in the first quarter of 2009 and foreign exchange rate increases, were the primary drivers of the increase, representing 82% of the increase. Higher commissions on improved sales and increased travel and other costs accounted for the remainder of the increase.

In response to the global economic downturn, the Company initiated restructuring programs and incurred charges of approximately \$2.3 million or approximately \$0.14 per diluted share, in the first quarter of 2009. The Company completed all restructuring initiatives in 2009.

The decrease in other income is primarily due to the first quarter 2009 gain related to the disposition of land in Europe. Equity in net loss of associated companies includes a charge of approximately \$0.03 per diluted share, related to the first quarter 2010 devaluation of the Venezuelan Bolivar Fuerte. The increase in net income attributable to noncontrolling interests is due to stronger financial performances from those affiliates as they continue to recover from the global economic downturn.

The Company's low first quarter 2010 effective tax rate of 24% reflects the expiration of applicable statutes of limitations for uncertain tax positions of approximately \$0.11 per diluted share. The tax benefit recorded in the first quarter of 2009 reflects no tax provided for the land sale gain due to the utilization of net operating losses not previously benefited. The Company has experienced and expects to experience further volatility in its quarterly effective tax rates due to the varying timing of tax audits and the expiration of applicable statutes of limitations as they relate to uncertain tax positions. The Company currently expects additional derecognition of uncertain tax positions of approximately \$0.11 per diluted share to occur later in 2010. However, the Company expects a higher effective tax rate for the full year 2010, compared to the first quarter 2010 rate. During the first quarter of 2010, the Company recorded \$2.0 million of excess tax benefits in capital in excess of par value on its Condensed Consolidated Balance Sheet, related to stock option exercises, which occurred over prior years. Previously, the Company's actual taxable income in affected jurisdictions was not sufficient to recognize these benefits, while the Company's full-year 2010 projection of taxable income is expected to be sufficient to recognize these benefits. As a result, the Company recognized \$0.3 million of these benefits as a cash inflow from financing activities in its Condensed Consolidated Statement of Cash Flows which represents the Company's estimate of cash savings through March 31, 2010. At the end of 2009, the Company had net U.S. deferred tax assets totaling \$16.3 million, excluding deferred tax assets relating to additional minimum pension liabilities. The Company records valuation allowances when necessary to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. However, in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be a non-cash charge to income in the period such determination was made, which could have a material adverse impact on the Company's financial statements. The global economic downturn has been negatively impacting profitability in certain taxing jurisdictions. The Company continues to closely monitor this situation as it relates to its net deferred tax assets and the assessment of valuation allowances. The Company is continuing to evaluate alternatives that could positively impact taxable income in these jurisdictions.

Segment Reviews—Comparison of the First Quarter 2010 with First Quarter 2009

Metalworking Process Chemicals

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represented approximately 95% of the Company's net sales in the first quarter of 2010. Net sales were up \$30.4 million, or 33%, compared to the first quarter of 2009. Foreign currency translation positively impacted net sales by approximately 8%, driven by the E.U. Euro to U.S. Dollar, and Brazilian Real to U.S. Dollar exchange rates. The average U.S. Dollar to E.U. Euro exchange rate was 1.38 in the first quarter of 2010 compared to 1.31 in the first quarter of 2009, and the average U.S. Dollar to Brazilian Real exchange rate was 0.55 in the first quarter of 2010 compared to 0.43 in the first quarter of 2009. Net sales were positively impacted by increases of 4% in North America, 25% in Europe, 48% in Asia Pacific and 63% in South America, all on a constant currency basis. The increase in this segment's sales was primarily attributable to increased product volumes of 39% impacting all regions as the Company continues to recover from the global economic downturn. The product volume increases were partially offset by a reduction in automotive CMS revenue, which was due, in part, to the renegotiation of certain contracts now reported on a pass-through versus gross basis. Consistent with the significant volume increases, this segment's operating income increased \$15.9 million. This segment's operating income also benefited from savings from the Company's restructuring efforts as well as a more favorable raw material environment.

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Coatings

The Company's coatings segment, which represented approximately 5% of the Company's net sales in the first quarter of 2010, contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Net sales for this segment were down \$0.5 million, or 7%, for the first quarter of 2010 compared to the first quarter of 2009, primarily due to reduced volumes of chemical milling maskants sold to the aerospace industry as well as reduced coating sales to the construction industry. This segment's operating income was down \$0.1 million, consistent with the volume decline noted above.

Other Chemical Products

Other Chemical Products, which represented less than 1% of the Company's net sales in the first quarter of 2010, consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Net sales were down \$0.1 million as a result of the downturn in the oil and gas market. Operating income was a slight loss for the first quarter of 2010, reflective of the noted volume decline.

Factors That May Affect Our Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Certain information included in this Report and other materials filed or to be filed by Quaker with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance and business, including:

- statements relating to our business strategy;
- our current and future results and plans; and
- statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions.

Such statements include information relating to current and future business activities, operational matters, capital spending, and financing sources. From time to time, forward-looking statements are also included in Quaker's other periodic reports on Forms 10-K, 10-Q and 8-K, as well as in press releases and other materials released to, or statements made to, the public.

Any or all of the forward-looking statements in this Report and in any other public statements we make may turn out to be wrong. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Report will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in Quaker's subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. These forward-looking statements are subject to risks, uncertainties and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. A major risk is that the Company's demand is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production planning shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, and terrorist attacks such as those that occurred on September 11, 2001. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. Other factors beyond those discussed could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Quaker is exposed to the impact of changes of interest rates, foreign currency fluctuations, changes in commodity prices, and credit risk.

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. Most of Quaker's debt is negotiated at market rates which can be either fixed or variable. Accordingly, if interest rates rise significantly, the cost of debt to Quaker will increase. This can have an adverse effect on Quaker, depending on the extent of Quaker's borrowings. As of March 31, 2010, Quaker had \$54.0 million in borrowings under its credit facilities, compared to \$46.4 million at December 31, 2009, at a weighted average borrowing rate of approximately 2.54% (LIBOR plus a spread). The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. The Company does not enter into derivative contracts for trading or speculative purposes. The Company has entered into interest rate swaps in order to fix a portion of its variable rate debt. The swaps had a combined notional value of \$40.0 million and a fair value of \$(2.0) million and \$(2.2) million at March 31, 2010 and December 31, 2009, respectively. As of the date of this Report, the Company is receiving a LIBOR rate and paying an average fixed rate of approximately 5% on its interest rate swaps. Five of the Company's swaps with a notional value of \$25.0 million mature in 2010, while the remaining three swaps with a notional value of \$15.0 million mature in 2012. The counterparties to the swaps are major financial institutions. Outstanding financial derivative instruments expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. To manage credit risk, the Company limits its exposure to any single counterparty. However, the Company does not expect any of the counterparties to fail to meet their obligations. Reference is made to the information included under in Note 6 of Notes to Condensed Consolidated Financial Statements.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its foreign operations. These foreign operations also hold a significant portion of Quaker's assets and liabilities. All such operations use the local currency as their functional currency. Accordingly, Quaker's financial results are affected by risks typical of global business such as currency fluctuations, particularly between the U.S. Dollar, the Brazilian Real, the Chinese Renminbi and the E.U. Euro. As exchange rates vary, Quaker's results can be materially affected.

The Company generally does not use financial instruments that expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three most recent fiscal years, sales by non-U.S. subsidiaries accounted for approximately 58% to 62% of consolidated net annual sales.

In addition, the Company often sources inventory among its worldwide operations. This practice can give rise to foreign exchange risk resulting from the varying cost of inventory to the receiving location as well as from the revaluation of intercompany balances. The Company mitigates this risk through local sourcing efforts.

Commodity Price Risk. Many of the raw materials used by Quaker are commodity chemicals, and, therefore, Quaker's earnings can be materially adversely affected by market changes in raw material prices. In certain cases, Quaker has entered into fixed-price purchase contracts having a term of up to one year. These contracts provide for protection to Quaker if the price for the contracted raw materials rises, however, in certain limited circumstances, Quaker will not realize the benefit if such prices decline.

Credit Risk. Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Downturns in the overall economic climate may also tend to exacerbate specific customer financial issues. A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel and automotive industries, including some of our larger customers, where a number of bankruptcies occurred during recent years and companies have experienced financial difficulties. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. In addition, as part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. These practices may increase the Company's exposure should a bankruptcy occur, and may require write-down or disposal of certain inventory due to its estimated obsolescence or limited marketability. Customer returns of products or disputes may also result in similar issues related to the realizability of recorded accounts receivable or returned inventory.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) is accumulated and communicated to the issuer’s management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation of such controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company’s principal executive officer and principal financial officer have concluded that the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)), are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports it files under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in internal controls. At the end of 2009, subsidiaries representing approximately 80% of consolidated revenue were operational on the Company’s global ERP system. The Company is currently in the process of adding additional locations to its global ERP system in 2010. The Company is taking the necessary steps to monitor and maintain its internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during this period of change.

PART II. OTHER INFORMATION

Items 1, 1A, 2, 3, 4 and 5 of Part II are inapplicable and have been omitted.

Item 6. Exhibits

(a) Exhibits

- 10.1 – Amended Expatriate Agreement by and between Jan F. Nieman and Quaker Chemical (China) Ltd., Quaker Chemical Limited (Hong Kong) and Quaker Chemical B.V., all subsidiaries of Registrant, dated April 6, 2010, Effective March 1, 2010.*
- 10.2 – Employment Agreement by and between Registrant and Joseph Berquist dated April 1, 2010.*
- 10.3 – Change in Control Agreement by and between Registrant and Joseph Berquist dated April 1, 2010.*
- 31.1 – Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
- 31.2 – Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
- 32.1 – Certification of Michael F. Barry Pursuant to 18 U.S. C. Section 1350
- 32.2 – Certification of Mark A. Featherstone Pursuant to 18 U.S. C. Section 1350

* This exhibit is a management contract or compensation plan or arrangement required to be filed as an exhibit.

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)

/s/ MARK A. FEATHERSTONE

Mark A. Featherstone, officer duly authorized to sign this
report, Vice President, Chief Financial Officer and Treasurer

Date: April 27, 2010



Jan Nieman
Amended Expat Agreement
April 6, 2010

The following amendments are being made to both the original Contract dated June 3, 2003 and all subsequent amendments (collectively, the "Agreement").

All amendments to the Agreement outlined below will be effective March 1, 2010.

Assignment (paragraph 1) – Your assignment will be extended up through July 31, 2012, or at the discretion of the Company may be extended to July 31, 2013. At the end of the assignment, as stipulated in the Agreement, you will be repatriated to the Quaker B.V. office, where every effort will be made to find you a comparable position to your current position in China. If no comparable position is available in The Netherlands, every effort will be made to find a like position in another of Quaker's regional offices. However, you will not be required to take a position outside of The Netherlands. The minimum gross base salary for such position will be at least equal to your gross base salary (exclusive of any additional expat-related compensation such as the hardship, housing, COL adjustments, etc.) at the time of this repatriation from China.

Additionally, based on your request to not return to The Netherlands prior to August 15, 2013, the Company will use its best efforts to secure you a mutually agreeable assignment at another location outside of The Netherlands for a minimum period extending up to the August 15, 2013 date should your assignment in China end prior to such date. The minimum gross base salary for such position will be at least equal to your gross base salary (exclusive of any additional expat-related compensation such as the hardship, housing, COL adjustments, etc.) at the time of leaving your current assignment in China.

- **Remuneration and Benefits** (paragraph 4) – Effective March 1, 2010, your net monthly base compensation will be paid 100% in Euros. These payments will be paid into a bank of your choosing. You will be responsible to provide Quaker with the banking details. Up to 33% of your base monthly salary may be converted to CNY at a fixed FX rate of 10.67. All other compensation will be converted at the current (closest date to regular payment date) FX rate. The cost of living adjustment and hardship adjustment will be maintained at the level contained in the original 2003 agreement.
- **Home Leave** (paragraph 12) – For the duration of your assignment (as noted in paragraph 1), you and your family are eligible for home leave expenses up to CNY 180,000 per assignment year, which will include airlines, car hire and lodging, when traveling to and from your home country. If trips are not made, no reimbursement will be paid.
- **Second Oldest Dependent's Repatriation to Holland** – Should your second oldest son desire to return to The Netherlands prior to the end of your assignment, Quaker will pay for the following: 1) one way air transportation, coach/economy for the dependent's return from China to the Netherlands, and 2) a one-time air shipment for up to 9.5 cubic feet of goods.
- **Repatriation**
 - **Premium:** The premium as described in the earlier addendum dated August 2005 will be extended to the end of your assignment (as noted in paragraph 1), and will be paid at a date to be elected by you but no earlier than 30 days prior to the actual repatriation.

Quaker Chemical Corporation

One Quaker Park, 901 Hector Street, Conshohocken, PA 19428-0809 USA www.quakerchem.com
 T 610.832.4000 F 610.832.8682



- **Dependent(s) who have not completed high school or equivalent education prior to the end of your assignment:** Although Quaker Chemical Corporation does not pay for schooling after repatriation, the Company, as an exception, will reimburse expenses up to 20,000 Euros per year (with a maximum of 40,000 Euros total) for purpose of continuation at an international school (for the completion of your dependant's high school or equivalent education) of your choice in The Netherlands, to be applied as you choose over a four-year period, provided you are still employed by the Company at that time.

Other than listed above, there will be no additional changes to the Agreement and all other terms and conditions of the Agreement, the prior amendments, and all company rules and practices shall remain unchanged and in full force and effect.

This Amendment may be executed in one or more counterparts, all of which will be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (including by facsimile transmission) to the other parties hereto, it being understood that all parties need not sign the same counterpart.

We kindly request your acceptance of these terms signified by signing below and returning to the Corporate Human Resources Department.

SIGNATURE

I hereby accept the offer as stated in the terms described above.

/s/ Jan Nieman
Jan Nieman
Date: 4/7/10

Quaker Chemical B.V.

By: /s/ Ed ten Duis
Date: 4/13/10

Quaker Chemical (China) Co. Ltd.

By: /s/ D. Jeffrey Benoliel
Date: 4/9/10

Quaker Chemical Limited

By: /s/ D. Jeffrey Benoliel
Date: 4/9/10

Acknowledged and approved
Quaker Chemical Corporation

By: Ronald Ettinger
Date: 4/8/10

Quaker Chemical Corporation

One Quaker Park, 901 Hector Street, Conshohocken, PA 19428-0809 USA www.quakerchem.com
T 610.832.4000 F 610.832.8682



MEMORANDUM OF EMPLOYMENT

Effective: April 1, 2010

NAME: Joseph Berquist
ADDRESS: 8952 Oakbrook Circle
Twinsburg, OH 44087

The parties to this Memorandum of Employment ("Agreement") are **JOSEPH BERQUIST** and Quaker Chemical Corporation, a Pennsylvania corporation ("Quaker").

You have been employed by Quaker as Senior Director NA Commercial. Effective April 1, 2010, you were appointed Quaker's Vice President and Managing Director (North America) and Quaker now wishes to adjust your compensation and enter into this memorandum containing certain covenants in connection with this appointment.

NOW THEREFORE in consideration of the mutual promises and covenants herein contained and intending to be legally bound hereby the parties hereto agree as follows:

1. Duties

Effective as of the date written above, Quaker agrees to employ you and you agree to serve as Quaker's Vice President and Managing Director (North America). You shall perform all duties consistent with such position as well as any other duties that are assigned to you from time to time by Quaker's Chief Executive Officer. You agree that during the term of your employment with Quaker to devote your knowledge, skill, and working time solely and exclusively to the business and interests of Quaker and its subsidiaries. Any and all prior employment agreements, with the exception of the March 10, 2010 Change of Control agreement with Quaker are hereby terminated and have no legal effect except to the extent to recognize years of service from original date of hire.

Quaker Chemical Corporation

One Quaker Park, 901 Hector Street, Conshohocken, PA 19428-0809 USA www.quakerchem.com

T 610.832.4000 F 610.832.8682

2. Compensation

Quaker agrees to pay you a base salary, which shall be payable semimonthly. Your base salary is set forth in an addendum, which is attached hereto and made a part hereof. The rate of base salary will be reviewed and adjusted on an annual basis consistent with Quaker's then current practice for reviewing executive officers' salaries and performance. In addition, you will be entitled to participate, to the extent eligible, in any of Quaker's annual and long term incentive plans, retirement savings plan (401k plan), Quaker Chemical Corporation Pension Plan (frozen 12/31/2005), stock purchase plan, and will be entitled to vacations, paid holidays, and medical, dental, and other benefits as are made generally available by Quaker to its full-time employees. Your salary and/or any benefits being made available to you may be changed at any time at Quaker's sole option, and any such change shall not affect any other provision of this Agreement.

3. Term of Employment.

Your employment with Quaker may be terminated on thirty (30) days' written notice by either party, with or without cause or reason whatsoever. Within thirty (30) days after termination of your employment, you will be given an accounting of all monies due you.

4. Covenant Not to Disclose

You acknowledge that the identity of Quaker's (and any of Quaker's affiliates') customers, the requirements of such customers, pricing and payment terms quoted and charged to such customers, the identity of Quaker's suppliers and terms of supply (and the suppliers and related terms of supply of any of Quaker's customers for which management services are being provided), information concerning the method and conduct of Quaker's (and any affiliate's) business such as formulae, formulation information, application technology, manufacturing information, marketing information, strategic and marketing plans, financial information, financial statements (audited and unaudited), budgets, corporate practices and procedures, research and development efforts, and laboratory test methods and all of Quaker's (and its affiliates') manuals, documents, notes, letters, records, and computer programs are Quaker's trade secrets ("Trade Secrets") and are Quaker's (and/or any of its affiliates', as the case may be) sole and exclusive property. You agree that at no time during or following your employment with Quaker will you appropriate for your own use, divulge or pass on, directly or through any other individual or entity or to any third party, any Quaker Trade Secrets. Upon termination of your employment with Quaker and prior to final payment of all monies due to you under Paragraph 2 or at any other time upon Quaker's request, you agree to surrender immediately to Quaker any and all materials in your possession or control which include or contain any Quaker Trade Secrets.

5. Covenant Not to Compete

In consideration of your employment with Quaker and the training you are to receive from Quaker, you agree that during your employment with Quaker and for a period of one (1) year thereafter, regardless of the reason for your termination, you will not:

- a. directly or indirectly, together or separately or with any third party, whether as an employee, individual proprietor, partner, stockholder, officer, director, or investor, or in a joint venture or any other capacity whatsoever, actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of chemical specialty products which are the same, like, similar to, or which compete with Quaker (or any of its affiliates') products or services; and
- b. at the Chemical Management Services sites to which you are, have, or will specifically ever be assigned in the future, directly or indirectly, together or separately or with any third party, whether as an employee, individual proprietor, partner, stockholder, officer, director, or investor, or in a joint venture or any other capacity whatsoever, actively engage in business or assist anyone or any firm in business as a provider of chemical management services which are the same, like, similar to, or which compete with Quaker (or any of its affiliates') services; and
- c. recruit or solicit any Quaker employee or otherwise induce such employee to leave Quaker's employ, or to become an employee or otherwise be associated with you or any firm, corporation, business, or other entity with which you are or may become associated; and
- d. solicit or induce any of Quaker's suppliers of products and/or services (or a supplier of products and/or services of a customer who is being provided or solicited for the provision of chemical management services by Quaker) to terminate or alter its contractual relationship with Quaker (and/or any such customer).

The parties consider these restrictions reasonable, including the period of time during which the restrictions are effective. However, if any restriction or the period of time specified should be found to be unreasonable in any court proceeding, then such restriction shall be modified or the period of time shall be shortened as is found to be reasonable so that the foregoing covenant not to compete may be enforced. You agree that in the event of a breach or threatened breach by you of the provisions of the restrictive covenants contained in Paragraph 4 or in this Paragraph 5, Quaker will suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs, or is threatened, in addition to all other remedies available to Quaker, at law or in equity, Quaker shall be entitled as a matter of right to specific performance of the covenants contained herein by way of temporary or permanent injunctive relief. In the event of any breach of the restrictive covenant contained in this Paragraph 5, the term of the restrictive covenant shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease.

6. Contractual Restrictions

You represent and warrant to Quaker that: (a) there are no restrictions, agreements, or understandings to which you are a party that would prevent or make unlawful your employment with Quaker and (b) your employment by Quaker shall not constitute a breach of any contract, agreement, or understanding, oral or written, to which you are a party or by which you are bound.

7. Inventions

All improvements, modifications, formulations, processes, discoveries or inventions (“Inventions”), whether or not patentable, which were originated, conceived or developed by you solely or jointly with others (a) during your working hours or at Quaker’s expense or at Quaker’s premises or at a customer’s premises or (b) during your employment with Quaker and additionally for a period of one year thereafter, and which relate to (i) Quaker’s business or (ii) any research, products, processes, devices, or machines under actual or anticipated development or investigation by Quaker at the earlier of (i) that time or (ii) as the date of termination of employment, shall be Quaker’s sole property. You shall promptly disclose to Quaker all Inventions that you conceive or become aware of at any time during your employment with Quaker and shall keep complete, accurate, and authentic notes, data and records of all Inventions and of all work done by you solely or jointly with others, in the manner directed by Quaker. You hereby transfer and assign to Quaker all of your right, title, and interest in and to any and all Inventions which may be conceived or developed by you solely or jointly with others during your employment with Quaker. You shall assist Quaker in applying, obtaining, and enforcing any United States Letters Patent and Foreign Letters Patent on any such Inventions and to take such other actions as may be necessary or desirable to protect Quaker’s interests therein. Upon request, you shall execute any and all applications, assignments, or other documents that Quaker deems necessary and desirable for such purposes. You have attached hereto a list of unpatented inventions that you have made or conceived prior to your employment with Quaker, and it is agreed that those inventions shall be excluded from the terms of this Agreement.

8. Termination.

Quaker, in its sole discretion, may terminate your employment at any time and without notice for any reason, including Cause. If you incur a Separation from Service by action of Quaker for any reason other than Cause, death, disability or normal retirement age, Quaker agrees to:

a. Provide you with reasonable outplacement assistance, either by providing the services in-kind, or by reimbursing reasonable expenses actually incurred by you in connection with your Separation from Service. The outplacement services must be provided during the one-year period following your Separation from Service. If any expenses are to be reimbursed, you must request the reimbursement within eighteen months of your Separation from Service and reimbursement will be made within 30 days of your request.

b. Pay you one year's severance in twenty-four semi-monthly installments commencing on the Payment Date and continuing on Quaker's normal semi-monthly payroll dates each month thereafter, each of which is equal to your semi-monthly base salary at the time of your Separation from Service, provided you sign a Release within 45 days of the later of the date you receive the Release or your Separation from Service. Continuation of medical and dental coverage's will be consistent with current Quaker severance program in place at the time of termination,

"Separation from Service" means your separation from service with Quaker and its affiliates within the meaning of Treas. Reg. §1.409A-1(h) or any successor thereto.

"Cause" means your employment with Quaker has been terminated by reason of (i) your willful and material breach of this Memorandum of Employment, (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of your duties hereunder which is materially injurious to Quaker, or (iii) conviction of or plea of guilty or nolo contendere to a felony.

"Payment Date" means (x) the 60th day after your Separation from Service or (y) if you are a specified employee (as defined in Treas. Reg. §1.409A-1(i)) as of the date of your Separation from Service, and the severance described in subsection (b) is deferred compensation subject to section 409A of the Code, the first business day of the seventh month following the month in which your Separation from Service occurs. If the Payment Date is described in clause (y), the amount paid on the Payment Date shall include all monthly installments that would have been paid earlier had clause (y) not been applicable, plus interest at the Wall Street Journal Prime Rate published in the Wall Street Journal on the date of your Separation from Service (or the previous business day if such day is not a business day), for the period from the date payment would have been made had clause (y) not been applicable through the date payment is made.

"Release" means a release (in a form satisfactory to Quaker) of any and all claims against Quaker and all related parties with respect to all matters arising out of your employment with Quaker, or the termination thereof (other than for claims for any entitlements under the terms of this Memorandum of Employment or any plans or programs of Quaker under which you have accrued a benefit) that Quaker provides to you no later than ten days after your Separation from Service. If a release is not provided to you within this time period, the severance shall be paid even if you do not sign a release.

9. Miscellaneous

This Agreement constitutes the entire integrated agreement concerning the subjects covered herein. In case any provision of this Agreement shall be invalid, illegal, or otherwise unenforceable, the validity, legality, and enforceability of the remaining provisions shall not thereby be affected or impaired. You may not assign any of your rights or obligations under this Agreement without Quaker's prior written consent. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without regard to any conflict of laws. This Agreement shall be binding upon you, your heirs, executors, and administrators and shall inure to the benefit of Quaker as well as its successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

ATTEST:

QUAKER CHEMICAL CORPORATION

/s/ W. Timothy Haines

/s/ Sandy Timinski

WITNESS:

/s/ Ann M. Berquist

/s/ Joseph Berquist

Joseph Berquist

ADDENDUM 1

- Base Salary:** Your salary will be payable on a semi-monthly basis at the rate of \$8,333.34, which is annualized at \$200,000.16. You will be eligible for your next salary increase in 2011.
- Annual and Long-Term Bonuses:** For your position, you are eligible to participate in the Global Annual Incentive Plan (GAIP). Your annual cash bonus is up to a maximum of 50% of your base salary. For the LTIP 2011-2013 plan period, you will be recommended to the Compensation/Management Development Committee of the Board of Directors (the "Compensation Committee"). All incentive compensation awards are made at the Company's discretion, are subject to change, and require the approval of the Compensation Committee.
- Other Items:** You will be allowed 12 months severance if you are asked to leave Quaker for other than Cause.
- Benefits:** Quaker offers a Flexible Benefits Program. This gives you the opportunity to choose from a variety of options creating a customized benefits package. The following benefits are part of the program. In each of these areas, you are offered a range of options so you may choose the ones that make the most sense for your personal situation.
- Medical
 - Dental
 - Life & AD&D Insurance
 - Long-term Disability
 - Health Care and Dependent Care Flexible Spending Accounts (FSAs)
- In addition to these flexible benefits, Quaker also offers the following benefit plans:
- Retirement Savings Plan (401K)
- Vacation / Holidays:** You are eligible for four weeks of vacation annually and the same paid holidays made generally available by Quaker to its other full-time employees. The company currently has 11 1/2 paid holidays.

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated April 1, 2010, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and Joseph Berquist (the "Manager"),

WITNESSETH THAT

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end;

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree that the Change in Control Agreement is amended and restated, as follows:

1. Term of Agreement.

This Agreement shall become effective on April 1, 2010 (the "Effective Date"), and shall continue in effect through December 31, 2010, provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2010, and successive one-year periods thereafter, unless, not later than eighteen (18) months (eight (8) months with respect to the automatic extension that would otherwise begin on January 1, 2011) preceding the calendar year for which the term would otherwise automatically extend, the Company shall have given written notice to the Manager of intention not to extend this Agreement for an additional year, in which event this Agreement shall continue in effect until December 31 of the calendar year immediately preceding the calendar year for which the term would have otherwise automatically extended. Notwithstanding any such notice not to extend, if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall remain in effect after a Change in Control until all obligations of the parties hereto under this Agreement shall have been satisfied.

2. Change in Control.

As used in this Agreement, a “Change in Control” of the Company shall be deemed to have occurred if:

(a) Any person (a “Person”), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (other than (i) the Company and/or its wholly owned subsidiaries; (ii) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (iii) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iv) any other Person who, within the one year prior to the event which would otherwise be a Change in Control, is an executive officer of the Company or any group of Persons of which he voluntarily is a part), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities or such lesser percentage of voting power, but not less than 15%, as determined by the members of the Board of Directors of the Company who are independent directors (as defined in the New York Stock Exchange, Inc. Listed Company Manual); provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company’s then outstanding securities;

(b) During any two-year period after the Effective Date, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c)) whose election by the Board of Directors of the Company or whose nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board;

(c) The consummation of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company’s voting common shares (the “Common Shares”) would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or

(d) The Company’s shareholders or the Company’s Board of Directors shall approve the liquidation or dissolution of the Company.

As used in this Agreement, “members of the Benoliel family” shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Entitlement to Change in Control Benefits; Certain Definitions.

The Manager shall be entitled to the benefits provided in this Agreement in the event the Manager has a Separation from Service under the circumstances described in (a) below (a "Covered Termination"), provided the Manager executes and does not revoke a Release (as defined below), if any, provided by the Company.

(a) A Covered Termination shall have occurred in the event the Manager's employment with the Company or its affiliates is terminated within two (2) years following a Change in Control by:

- (i) The Company or its affiliates without Cause (as defined below); or
- (ii) Resignation of the Manager for Good Reason (as defined below).

The Manager shall have no rights to any payments or benefits under this Agreement in the event the Manager's employment with the Company and its affiliates is terminated (i) as a result of death or Disability (as defined below), or (ii) by the Company or its affiliates for Cause. In the event the Manager's employment is terminated for any reason prior to a Change in Control, the Manager shall have no rights to any payments or benefits under this Agreement and, after any such termination, this Agreement shall be of no further force or effect.

"Cause" shall mean (i) the Manager's willful and material breach of the employment agreement, if any, between the Manager and the Company (after having received notice thereof and a reasonable opportunity to cure or correct), (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment with the Company or its affiliates which is materially injurious to the Company, or (iii) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

"Code" shall mean the Internal Revenue Code of 1986, as amended, together with any applicable regulations thereunder.

"Disability" shall mean covered total and permanent disability as defined in the long-term disability plan maintained by the Company for employees generally or, if the Company does not maintain such a plan, the long-term disability plan most recently maintained by the Company for employees generally.

"Good Reason" shall mean any of the following actions without the Manager's consent, other than due to the Manager's death or Disability: (i) any reduction in the Manager's base salary from that provided immediately before the Covered Termination or, if higher, immediately before the Change in Control; (ii) any reduction in the Manager's bonus opportunity (including cash and noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the Change in Control; (iii) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those in effect immediately before the Change in Control; (iv) a reduction in the Manager's benefits from those provided immediately before the Change in Control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the Manager being required to accept a primary employment location which is more than twenty-five (25) miles from the location at which he primarily was employed during the ninety (90) day period prior to a Change in Control.

“Payment Date” shall mean the 60th day after the Manager’s Separation from Service, subject to Section 9.

“Release” shall mean a release (in a form satisfactory to the Company) of any and all claims against the Company and all related parties with respect to all matters arising out of the Manager’s employment by the Company and its affiliates, or the termination thereof (other than claims for any entitlements under the terms of this Agreement, under any employment agreement between the Manager and the Company, or under any plans or programs of the Company under which the Manager has accrued a benefit) that the Company provides to the Manager no later than three days after the date of the Manager’s Covered Termination. Notwithstanding any provision of this Agreement to the contrary, if the Company provides a Release to the Manager, the Manager shall not be entitled to any payments or benefits under this Agreement unless the Manager executes the Release within 45 days of the later of the date he receives the Release or the date of his Covered Termination, and the Manager does not revoke the Release.

“Separation from Service” shall mean the Manager’s separation from service with the Company and its affiliates within the meaning of Treas. Reg. §1.409A-1(h) or any successor thereto.

“Specified Employee” shall mean the Manager if he is a specified employee as defined in Section 409A of the Code as of the date of his Separation from Service.

4. Severance Allowance.

(a) Amount of Severance Allowance. In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the “Severance Allowance”) equal to 1.5 (one and one-half) times the sum of the amounts determined in accordance with the following paragraphs (i) and (ii):

- (i) An amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Covered Termination; and

- (ii) An amount equal to the average of the aggregate annual amounts paid to the Manager in the Applicable Three-Year Period under all applicable annual incentive compensation plans maintained by the Company and its affiliates (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options, restricted stock or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such awards); provided, however, that (x) in determining the average amount paid under the annual incentive plan during the Applicable Three-Year Period there shall be excluded any year in which no amounts were paid to the Manager under that plan; and (y) there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control, or a similar occurrence. The Applicable Three-Year Period shall be (A) if the Manager has received an annual incentive compensation plan payment in the calendar year of his Covered Termination, the calendar year in which such Covered Termination occurs and the two preceding calendar years, or (B) in any other case, the three calendar years preceding the calendar year in which the Manager's Covered Termination occurs; provided, however, that the Applicable Three-Year Period shall be determined by substituting "Change In Control" for "Covered Termination" if such substitution results in a higher amount under this subsection (ii).

In no event shall any retention bonus or change in control or success fee be taken into account when determining the amount of the Severance Allowance hereunder.

(b) Payment of Severance Allowance. The Severance Allowance shall be paid to the Manager in a lump sum on the Payment Date if the applicable Change in Control is also a change in control event as defined in Treas. Reg. §1.409A-3(i)(5) (or any successor thereto). In any other case, the Severance Allowance shall be paid in eighteen monthly installments commencing on the Payment Date, each of which is equal to one eighteenth ($\frac{1}{18}$ th) of the amount of the Severance Allowance determined under Section 4(a), which are treated as a right to a series of separate payments for purposes of Section 409A of the Code.

5. Outplacement and Welfare Benefits.

(a) Outplacement. Subject to Section 6, for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Change in Control.

(b) Welfare Benefits. Subject to Section 6, for a period eighteen months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, and dental insurance plans at the Company's expense, in accordance with the terms of such plans at the time of such Covered Termination as if the Manager were still employed by the Company or its affiliates under this Agreement. If, however, life, medical, or dental insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager and his dependents.

6. Effect of Other Employment.

In the event the Manager becomes employed (as defined below) during the period with respect to which benefits are continuing pursuant to Section 5:

(a) the Manager shall notify the Company not later than the day such employment commences; and (b) the benefits provided for in Section 5 shall terminate as of the date of such employment. For the purposes of this Section 6, the Manager shall be deemed to have become “employed” by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager’s “family” shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager’s spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

7. Other Payments and Benefits.

On the Payment Date, the Company shall pay or cause to be paid to the Manager the aggregate of: (a) the Manager’s earned but unpaid base salary through the Covered Termination at the rate in effect on the date of the Covered Termination, or if higher, at the rate in effect at any time during the 90-day period preceding the Change in Control; (b) any unpaid bonus or annual incentive payable to the Manager in respect of the calendar year ending prior to the Covered Termination; (c) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Covered Termination, and the denominator of which is 365) of the target bonuses or annual incentive awards for such calendar year; and (d) the pro rata portion of any and all awards under the Company’s long term incentive plan for the performance period(s) in which the Covered Termination occurs, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between the first day of the applicable performance period and the date of the Covered Termination, and the denominator of which is the total number of days in the applicable performance period) of the amount of the award which would have been payable had (i) the Covered Termination not occurred, and (ii) the target level of performance been achieved for the applicable performance period. The Manager shall be entitled to receive any other payments or benefits that the Manager is entitled to pursuant to the express terms of any compensation or benefit plan or arrangement of the Company or any of its affiliates; provided that: (x) the Severance Allowance (i) shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the employment agreement, if any, between the Manager and the Company, and (ii) shall be credited against any severance payments to which the Manager may be entitled by statute; (y) any annual incentive described in subsection (b) or (c) shall decrease (or shall be decreased by), but not below zero, the amount of the annual incentive payable (or paid) with respect to the same calendar year under the Company’s annual incentive plan (currently the 2001 Global Annual Incentive Plan); and (z) any amount described in subsection (d) shall decrease (or shall be decreased by), but not below zero, the amount of the analogous performance award payable (or paid) with respect to the same performance period(s) under the Company’s long term incentive plan(s) (currently the 2006 Long-Term Performance Incentive Plan).

8. Death After Covered Termination.

In the event the Manager dies after a Covered Termination occurs, (a) any payments due to the Manager under Section 4 and the first sentence of Section 7 and not paid prior to the Manager's death shall be made to the person or persons who may be designated by the Manager in writing or, in the event he fails to so designate, to the Manager's personal representatives, and (b) the Manager's spouse and dependents shall be eligible for the welfare benefits described in Section 5(b). Payments pursuant to subsection (a) shall be made on the later of (i) the date payment would have been made to the Manager without regard to Section 9, or (ii) the date of the Manager's death.

9. Certain Section 409A Rules.

(a) Specified Employee. Notwithstanding any provision of this Agreement to the contrary, if the Manager is a Specified Employee, any payment or benefit under this Agreement that constitutes deferred compensation subject to Section 409A of the Code and for which the payment event is Separation from Service shall not be made or provided before the date that is six months after the date of the Manager's Separation from Service. Any payment or benefit that is delayed pursuant to this Section 9 shall be made or provided on the first business day of the seventh month following the month in which the Manager's Separation from Service occurs. With respect to any cash payment delayed pursuant to this Section 9, the first payment shall include interest, at the Wall Street Journal Prime Rate published in the Wall Street Journal on the date of the Manager's Covered Termination (or the previous business day if such date is not a business day), for the period from the date the payment would have been made but for this Section 9 through the date payment is made. The provisions of this Section 9 shall apply only to the extent required to avoid the Manager's incurrence of any additional tax or interest under Section 409A of the Code.

(b) Reimbursement and In-Kind Benefits. Notwithstanding any provision of this Agreement to the contrary, with respect to in-kind benefits provided or expenses eligible for reimbursement under this Agreement which are subject to Section 409A of the Code, (i) the benefits provided or the amount of expenses eligible for reimbursement during any calendar year shall not affect the benefits provided or expenses eligible for reimbursement in any other calendar year, except as otherwise provided in Treas. Reg. §1.409A-3(i)(1)(iv)(B), and (ii) the reimbursement of an eligible expense shall be made as soon as practicable after the Manager requests such reimbursement (subject to Section 9(a)), but not later than the December 31 following the calendar year in which the expense was incurred.

(c) Interpretation and Construction. This Agreement is intended to comply with Section 409A of the Code and shall be administered, interpreted and construed in accordance therewith to avoid the imposition of additional tax under Section 409A of the Code.

10. Confidentiality and Noncompetition.

(a) Confidential Information. The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs ("Proprietary Business Information"), are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be) and are likely to constitute, contain or reveal trade secrets ("Trade Secrets") of the Company (and/or the Company's affiliate's, as the case may be). The term "Trade Secrets" as used herein does not include Proprietary Business Information that is known or becomes known to the public through no act or failure to act on the part of the Manager, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

- (i) The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets.
- (ii) Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which constitute or contain any Proprietary Business Information.

(b) Noncompetition. The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) directly or indirectly recruit, solicit or encourage any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; or

- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company), any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

(c) Severability. The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby.

(d) Remedies. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 10, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 12. In the event of any breach of the restrictive covenant contained in this Section 10, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 10, the Company's obligations to pay amounts and continue the benefits under this Agreement to the Manager (and his dependents) shall immediately terminate.

11. Set-Off Mitigation.

Except as provided in Section 6, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

12. Arbitration: Costs and Expenses of Enforcement.

(a) Arbitration. Except as otherwise provided in Sections 10(d) and 13, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 12. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) Costs and Expenses. In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement at any time during his lifetime, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) and the enforcement of any arbitration award in court), regardless of the final outcome.

13. Limitation on Payment Obligation.

(a) Definitions. For purposes of this Section 13, all terms capitalized but not otherwise defined herein shall have the meanings as set forth in Section 280G of the Code. In addition:

- (i) the term "Parachute Payment" shall mean a payment described in Section 280G(b)(2)(A) or Section 280G(b)(2)(B) of the Code (including, but not limited to, any stock option rights, stock grants, and other cash and noncash compensation amounts that are treated as payments under either such section) and not excluded under Section 280G(b)(4)(A) or Section 280G(b)(6) of the Code;
- (ii) the term "Reasonable Compensation" shall mean reasonable compensation for prior personal services as defined in Section 280G(b)(4)(B) of the Code and subject to the requirement that any such reasonable compensation must be established by clear and convincing evidence; and
- (iii) the portion of the "Base Amount" and the amount of "Reasonable Compensation" allocable to any "Parachute Payment" shall be determined in accordance with Section 280G(b)(3) and (4) of the Code.

(b) Limitation. Notwithstanding any other provision of this Agreement, Parachute Payments to be made to or for the benefit of the Manager but for this subsection (b), whether pursuant to this Agreement or otherwise, shall be reduced if and to the extent necessary so that the aggregate Present Value of all such Parachute Payments shall be at least one dollar (\$1.00) less than the greater of (i) three times the Manager's Base Amount and (ii) the aggregate Reasonable Compensation allocable to such Parachute Payments. Any reduction in Parachute Payments caused by reason of this subsection (b) shall be applied in the manner least economically detrimental to the Manager. In the event reduction of two or more types of payments would be economically equivalent, the reduction shall be applied pro-rata to such types of payments.

This subsection (b) shall be interpreted and applied to limit the amounts otherwise payable to the Manager under this Agreement or otherwise only to the extent required to avoid any material risk of the imposition of excise taxes on the Manager under Section 4999 of the Code or the disallowance of a deduction to the Company under Section 280G(a) of the Code. In the making of any such interpretation and application, the Manager shall be presumed to be a disqualified individual for purposes of applying the limitations set forth in this subsection (b) without regard to whether or not the Manager meets the definition of disqualified individual set forth in Section 280G(c) of the Code. In the event that the Manager and the Company are unable to agree as to the application of this subsection (b), the Company's independent auditors shall select independent tax counsel to determine the amount of such limits. Such selection of tax counsel shall be subject to the Manager's consent, provided that the Manager shall not unreasonably withhold his consent. The determination of such tax counsel under this Section 13 shall be final and binding upon the Manager and the Company.

(c) Illegal Payments. Notwithstanding any other provision of this Agreement, no payment shall be made hereunder to or for the benefit of the Manager if and to the extent that such payments are determined to be illegal.

14. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal executive offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

15. Withholding.

Notwithstanding any provision of this Agreement to the contrary, the Company may, to the extent required by law, withhold applicable Federal, state and local income and other taxes from any payments due to the Manager hereunder.

16. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

17. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

18. Entire Agreement; Amendment.

(a) This Agreement supersedes the Change in Control Agreement entered into between the Manager and the Company on June 10, 2004, which agreement shall be null and void as of the Effective Date. Except for the change in control provisions set forth in the Company's annual incentive plan and long term incentive plans, this Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof. The Manager understands and acknowledges that the Company's severance plan, annual incentive plan and long term incentive plans are hereby amended with respect to the Manager to avoid duplication of benefits, as provided in Section 7.

(b) The Company reserves the right to unilaterally amend this Agreement without the consent of the Manager to the extent the Compensation/Management Development Committee of the Company's Board of Directors (in its sole discretion) determines is necessary or appropriate to avoid the additional tax under Section 409A(a)(1)(B) of the Code; otherwise, this Agreement may not be altered or amended except by an agreement in writing executed by the Company and the Manager.

19. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

20. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

21. Indemnification.

The Company shall defend and hold the Manager harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by the Manager of services for, or action of the Manager as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by the Manager in defending such a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of the Manager to repay said amount unless it shall ultimately be determined that the Manager is entitled to be indemnified hereunder; provided, however, that this shall not apply to a nonderivative action commenced by the Company against the Manager.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Joseph Berquist

QUAKER CHEMICAL CORPORATION

By: /s/ Michael F. Barry

Title: Chairman, CEO & President

ATTEST:

/s/ Irene M. Kisleiko

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF THE COMPANY PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE
ACT OF 1934**

I, Michael F. Barry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quaker Chemical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2010

/s/ Michael F. Barry

Michael F. Barry
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE
ACT OF 1934**

I, Mark A. Featherstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quaker Chemical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2010

/s/ Mark A. Featherstone
Mark A. Featherstone
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned hereby certifies that the Form 10-Q Quarterly Report of Quaker Chemical Corporation (the "Company") for the quarterly period ended March 31, 2010 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27, 2010

/s/ Michael F. Barry

Michael F. Barry

Chief Executive Officer of Quaker Chemical Corporation

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned hereby certifies that the Form 10-Q Quarterly Report of Quaker Chemical Corporation (the "Company") for the quarterly period ended March 31, 2010 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27, 2010

/s/ Mark A. Featherstone

Mark A. Featherstone

Chief Financial Officer of Quaker Chemical Corporation