



Quaker Chemical Announces Earnings Growth and Record Sales For Full Year and Fourth Quarter 2002

February 21, 2003

CONSHOHOCKEN, Pa., Feb 20, 2003 /PRNewswire-FirstCall via COMTEX/ -- Quaker Chemical Corporation (NYSE: KWR) today announced record annual and fourth quarter sales and improved earnings for both periods ending December 31, 2002. Net sales for 2002 were \$274.5 million, up 9% from the prior year, and for the fourth quarter were \$71.9 million, up 23% from the fourth quarter of 2001. For the year 2002, earnings were \$1.51 per diluted share compared to \$0.84 per diluted share in 2001. Earnings for the fourth quarter of 2002 were \$0.46 per diluted share compared to a loss of \$0.17 per diluted share in the fourth quarter of 2001. Results for the fourth quarter and full year 2001 included special items relating primarily to restructuring charges and an additional provision for doubtful accounts. Excluding the special items, 2001 earnings for the fourth quarter and full year were \$0.20 per diluted share and \$1.49 per diluted share, respectively. The 2002 full year and fourth quarter earnings were consistent with previous Company guidance.

Ronald J. Naples, Chairman and Chief Executive Officer, stated, "All things considered, we feel good about 2002. In a continued difficult worldwide economic environment, our earnings were up, albeit at a rate below our long-term goals, and we continued to position and prepare the Company for industry leadership in an integrated global world. We delivered on the sequential quarterly earnings improvements we projected through the year and reached record sales; we maintained our strong balance sheet; we made a couple of accretive acquisitions. Earnings in 2002 showed growth over the prior year not only on a reported basis, but even with the effect of the 2001 special items stripped out. This is important because one of our primary goals is consistent year-over-year earnings growth, something we've achieved over the past seven years with the sole exception of an extraordinary 2001."

Full Year 2002

Net sales for 2002 were a record \$274.5 million, or 9% over 2001 net sales of \$251.1 million. The United Lubricants and Epmar acquisitions, as well as the purchase of a controlling interest in the Company's South African joint venture, provided a year-over-year increase in net sales of approximately \$20 million. Currency fluctuations negatively impacted net sales by 2%. Absent the acquisitions and currency fluctuations, net sales increased by 3% with all four regions of the world showing growth. SG&A expenses (excluding the 2001 special items) increased primarily due to the noted acquisitions, as well as higher pension, insurance, and other administrative expenses.

Earnings for 2002 were \$14.3 million, or \$1.51 per diluted share, up 80% over 2001 earnings of \$7.7 million, or \$0.84 per diluted share. Results in 2001 were negatively impacted by \$8.6 million in special items primarily related to two plant closings in Europe and an additional provision for doubtful accounts. Absent the special items, 2001 earnings would have been \$1.49 per diluted share. Acquisitions in 2002 were accretive to earnings by approximately \$0.06 per diluted share.

Fourth Quarter 2002

Fourth quarter 2002 net sales were a record \$71.9 million, up 23% from the fourth quarter of 2001. Approximately one-half of this increase was due to the 2002 United Lubricants and Epmar acquisitions, as well as the purchase of a controlling interest in the Company's South African joint venture. Net sales in all four regions of the world showed 9% or higher increases on a local currency basis. However, currency fluctuations negatively impacted consolidated U.S. dollar sales by 1%. SG&A expenses (excluding the 2001 special items) increased primarily due to the noted acquisitions, as well as higher pension, insurance, and other administrative expenses such as the Company's ERP implementation.

Earnings for the fourth quarter of 2002 were \$4.4 million or \$0.46 per diluted share. This represents a 130% increase over fourth quarter 2001 earnings of \$0.20 per diluted share, excluding special items. In the fourth quarter of 2001, special items of \$4.9 million were made relating primarily to restructuring charges and an additional provision for doubtful accounts. Including the special items, the Company incurred a loss of \$0.17 per diluted share for the fourth quarter of 2001.

Balance Sheet and Cash Flow Items

In the fourth quarter of 2002, debt levels were reduced 37% to \$28.8 million. The debt-to-total capital ratio as of December 31, 2002, was 25%, down from 35% at September 30, 2002.

Working capital reduction was a major initiative in 2002. The Company measures working capital as a percent of sales. At December 31, 2002, this ratio was 17.8% compared to 20.1% at the end of 2001. The working capital reduction initiatives generated approximately \$6 million of cash in 2002 on a constant sales level basis.

In 2002, capital expenditures were \$10.8 million, and spending on acquisitions was \$21.3 million.

Shareholders' equity increased \$2.3 million and \$7.2 million from September 30, 2002, and December 31, 2001, respectively, despite a non-cash charge to equity of \$4.3 million due to declines in the asset value of the Company's defined benefit pension plans.

2003 Outlook

In 2003, net sales are projected to continue to grow. The Company expects to see higher raw material prices and higher SG&A expenses related to pension, insurance, and its ERP implementation. These items alone are expected to reduce diluted earnings per share by approximately \$0.35,

despite which the Company projects earnings growth in 2003.

Mr. Naples stated, "The global business environment as we enter 2003 is still uncertain, which puts pressure on industrial production demand. In addition, the rise in crude oil prices is expected to negatively impact our raw materials prices, especially in the short term. These factors and geopolitical risk make forecasting more difficult than usual. Our 2003 plans call for solid year-over-year earnings improvement versus 2002. For the first quarter of 2003, we expect earnings to be higher than the first quarter 2002, but below our fourth quarter 2002 due to the increased costs previously noted, as well as seasonal demand factors."

Mr. Naples continued, "Our management team remains convinced that our key strategic imperatives of selling value rather than simply fluids, operating as a globally integrated enterprise, and harnessing our global knowledge will bring unique value to our customers and continue to increase our differentiation from competitors. Our 2003 plans project continued penetration in our core steel and metalworking markets to help overcome higher costs and generate earnings growth. Also, it is our expectation that our strong balance sheet and good cash flow generation will enable us to continue to grow the Company through acquisitions and still maintain our record of annual dividend increases, which is now at 30 years."

Quaker Chemical Corporation, headquartered in Conshohocken, Pennsylvania, is a worldwide developer, producer, and marketer of custom-formulated chemical specialty products and a provider of chemical management services for manufacturers around the globe, primarily in the steel and automotive industries.

This release contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Such risks and uncertainties include, but are not limited to, further downturns in our customers' businesses, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, a conflict in Iraq, and future terrorist attacks such as those that occurred on September 11, 2001.

As previously announced, Quaker Chemical's investor conference to discuss fourth quarter and full year 2002 earnings results is scheduled for February 21, 2003, at 2:30 p.m. (ET). Access the conference by calling 800-922-0755 or visit Quaker's Web site at <http://www.quakerchem.com> for a live webcast.

Quaker Chemical Corporation
Condensed Consolidated Statement of Operations
For the period ended December 31,

Dollars in thousands, except per share data

| | (Unaudited) | | Twelve Months | |
|--|------------------------------------|-----------|--------------------|-----------|
| | Three Months ended December 31, | | ended December 31, | |
| | 2002 | 2001 | 2002 | 2001 |
| Net sales | \$71,869 | \$58,272 | \$274,521 | \$251,074 |
| Cost of goods sold | 43,010 | 35,293 | 162,944 | 150,045 |
| Gross | 28,859 | 22,979 | 111,577 | 101,029 |
| % | 40.2% | 39.4% | 40.6% | 40.2% |
| Selling, general and administrative - Note A | 21,604 | 21,803 | 87,604 | 80,984 |
| Restructuring - Note B | -- | 2,896 | -- | 5,854 |
| Operating income | 7,255 | (1,720) | 23,973 | 14,191 |
| % | 10.1% | (3.0%) | 8.7% | 5.7% |
| Other income (expense), net | (59) | 399 | 1,135 | 1,089 |
| Interest expense, net | (43) | (131) | (790) | (850) |
| Income (loss) before taxes | 7,153 | (1,452) | 24,318 | 14,430 |
| Taxes on income (loss) | 2,289 | (450) | 7,782 | 4,473 |
| | 4,864 | (1,002) | 16,536 | 9,957 |
| Equity in net income (loss) of associated companies | (19) | (127) | 295 | 613 |
| Minority interest in net income of subsidiaries | (431) | (449) | (2,534) | (2,905) |
| Net income (loss) | \$4,414 | \$(1,578) | \$14,297 | \$7,665 |
| % | 6.1% | (2.7%) | 5.2% | 3.1% |
| Per share data: | | | | |
| Net income (loss) - basic | \$0.48 | (\$0.17) | \$1.56 | \$0.85 |
| Net income (loss) - diluted | \$0.46 | (\$0.17) | \$1.51 | \$0.84 |
| Shares Outstanding: | | | | |
| Basic | 9,238,138 | 9,129,566 | 9,171,720 | 9,053,672 |
| Diluted | 9,503,266 | 9,129,566 | 9,473,914 | 9,113,689 |

A - 2001 includes an additional provision for doubtful accounts primarily related to the poor financial condition of certain U.S. steel customers which filed for bankruptcy protection, an additional environmental reserve, and other organizational structure costs totaling \$2,050 and \$2,767 for the fourth quarter and full year, respectively. Upon adopting SFAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, the Company no longer amortizes goodwill. The Company recorded goodwill amortization of \$244 or \$0.02 per diluted share and \$1,004 or \$0.08 per diluted share for the three and twelve months ended December 31, 2001, respectively.

B - Includes facility rationalization, severance, and abandoned acquisition-related costs totaling \$2,896 and \$5,854 for the fourth quarter and full year 2001, respectively.

Quaker Chemical Corporation
Operating Income (Loss) and Earnings (Loss) Per Share
Reconciliation
For the period ended December 31,

| | Unaudited | | | |
|--|-----------------------------|-----------|---------------|----------|
| | Dollars in thousands except | | | |
| | per share data | | | |
| | Fourth Quarter | | Twelve Months | |
| | 2002 | 2001 | 2002 | 2001 |
| Operating Income (Loss) | | | | |
| Operating income (loss), as reported | \$7,255 | \$(1,720) | \$23,973 | \$14,191 |
| Special items: | | | | |
| Restructuring | | | | |
| Facility rationalization | -- | 575 | -- | 2,613 |
| Severance | -- | 2,124 | -- | 2,644 |
| Costs related to abandoned acquisitions | -- | 197 | -- | 597 |
| Additional provision for doubtful accounts - Note A | -- | 1,550 | -- | 2,000 |
| Organization structure | -- | -- | -- | 267 |
| Environmental reserve | -- | 500 | -- | 500 |
| | -- | 4,946 | -- | 8,621 |
| Operating income, excluding special items | \$7,255 | \$3,226 | \$23,973 | \$22,812 |
| Earnings (Loss) Per Share - Diluted | | | | |
| Earnings (loss) per share, as reported | \$0.46 | \$(0.17) | \$1.51 | \$0.84 |
| Special items: | | | | |
| Restructuring | | | | |
| Facility rationalization | -- | 0.04 | -- | 0.20 |
| Severance | -- | 0.16 | -- | 0.20 |
| Costs related to abandoned acquisitions | -- | 0.01 | -- | 0.04 |
| Additional provision for doubtful accounts - Note A | -- | 0.12 | -- | 0.15 |
| Organization structure | -- | -- | -- | 0.02 |
| Environmental reserve | -- | 0.04 | -- | 0.04 |

| | | | | |
|--|--------|--------|--------|--------|
| | -- | 0.37 | -- | 0.65 |
| Operating income, excluding special items | \$0.46 | \$0.20 | \$1.51 | \$1.49 |

A - Primarily related to the poor financial condition of certain U.S. steel customers which filed for bankruptcy protection.

Quaker Chemical Corporation
Condensed Consolidated Balance Sheet

| | December 31, 2002 | December 31, 2001* |
|---|----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$13,857 | \$20,549 |
| Accounts receivable, net | 53,353 | 44,787 |
| Inventories, net | 23,636 | 18,785 |
| Deferred income taxes | 5,874 | 4,031 |
| Prepaid expenses and other current assets | 6,953 | 4,778 |
| Total current assets | 103,673 | 92,930 |
| Property, plant and equipment, net | 48,512 | 38,244 |
| Goodwill | 21,927 | 14,960 |
| Other intangible assets | 5,852 | 1,442 |
| Investments in associated companies | 9,060 | 9,839 |
| Deferred income taxes | 10,609 | 9,085 |
| Other assets | 14,225 | 13,166 |
| Total Assets | \$213,858 | \$179,666 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term borrowings and current portion of long-term debt | \$12,205 | \$2,858 |
| Accounts payable | 27,461 | 18,323 |
| Dividends payable | 1,962 | 1,873 |
| Accrued compensation | 10,254 | 8,109 |
| Other current liabilities | 14,262 | 14,343 |
| Total current liabilities | 66,144 | 45,506 |
| Long-term debt | 16,590 | 19,380 |
| Deferred income taxes | 1,518 | 1,233 |
| Accrued pension and postretirement benefits | 28,723 | 19,239 |
| Other noncurrent liabilities | 5,166 | 4,973 |
| Total liabilities | 118,141 | 90,331 |
| Minority interest in equity of subsidiaries | 7,662 | 8,436 |
| Commitments and contingencies | -- | -- |
| Shareholders' Equity | | |
| Common stock \$1 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares | 9,664 | 9,664 |
| Capital in excess of par value | 626 | 357 |
| Retained earnings | 110,448 | 103,953 |
| Unearned compensation | (1,245) | (1,597) |
| Accumulated other comprehensive (loss) | (27,078) | (24,075) |
| | 92,415 | 88,302 |
| Treasury stock, shares held at cost: | | |
| 2002 - 324,109, 2001 - 526,865 | (4,360) | (7,403) |
| Total shareholders' equity | 88,055 | 80,899 |
| | \$213,858 | \$179,666 |

* Certain reclassifications of prior year data have been made to improve comparability.

Quaker Chemical Corporation
Condensed Consolidated Statement of Cash Flows

| | (Dollars in thousands) | |
|---|------------------------|----------|
| | 2002 | 2001 |
| Cash flows from operating activities | | |
| Net income | \$14,297 | \$7,665 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 5,432 | 4,913 |
| Amortization | 805 | 1,467 |
| Equity in net income of associated companies | (295) | (613) |
| Minority interest in earnings of subsidiaries | 2,534 | 2,905 |
| Deferred income taxes | 328 | (627) |
| Deferred compensation and other postretirement benefits | 35 | 201 |
| Environmental charge | -- | 500 |
| Restructuring charge | -- | 5,854 |
| Pension and other, net | 1,524 | (695) |
| Increase (decrease) in cash from changes in current assets and current liabilities: | | |
| Accounts receivable, net | (657) | 7,573 |
| Inventories | (3,101) | 2,762 |
| Prepaid expenses and other current assets | (194) | 39 |
| Accounts payable and accrued liabilities | 7,107 | (6,603) |
| Change in restructuring liabilities | (2,156) | (1,123) |
| Estimated taxes on income | (1,261) | (1,614) |
| Net cash provided by operating activities | 24,398 | 22,604 |
| Cash flows from investing activities | | |
| Capital expenditures | (10,837) | (8,036) |
| Dividends from associated companies | 515 | 1,208 |
| Investments in and advances to associated companies | -- | 95 |
| Payments related to acquisitions | (21,285) | (1,718) |
| Proceeds from disposition of assets | 1,682 | 259 |
| Other, net | (326) | 165 |
| Net cash (used in) investing activities | (30,251) | (8,027) |
| Cash flows from financing activities | | |
| Dividends paid | (7,714) | (7,410) |
| Net increase (decrease) in short-term borrowings | | |
| | 9,026 | (56) |
| Repayment of long-term debt | (2,853) | (2,891) |
| Treasury stock issued | 2,951 | 2,902 |
| Distributions to minority shareholders | (2,673) | (2,335) |
| Other, net | -- | 234 |
| Net cash (used in) financing activities | (1,263) | (9,556) |
| Effect of exchange rate changes on cash | 424 | (1,024) |
| Net (decrease) increase in cash and cash equivalents | (6,692) | 3,997 |
| Cash and cash equivalents at beginning of period | 20,549 | 16,552 |
| Cash and cash equivalents at end of period | \$13,857 | \$20,549 |

Supplemental cash flow disclosures
Cash paid during the year for:

| | | |
|--------------|---------|---------|
| Income taxes | \$7,787 | \$7,550 |
| Interest | 1,897 | 1,876 |

Noncash investing activities:

| | | |
|---|-------|---------|
| Contribution of property, plant & equipment to real estate joint venture | \$ -- | \$4,358 |
|---|-------|---------|

SOURCE Quaker Chemical Corporation

CONTACT: Michael F. Barry, Vice President and Chief Financial Officer of
Quaker Chemical Corporation, +1-610-832-8500

URL: <http://www.quakerchem.com>
<http://www.prnewswire.com>