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 June 30, 2011

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 June 30, 2011	**12,823,294**

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

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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)	
	June 30, 2011	December 31, 2010*
ASSETS		
Current assets		
Cash and cash equivalents	$ 23,541	$ 25,766
Accounts receivable, net	137,402	116,266
Inventories		
Raw materials and supplies	43,580	31,909
Work-in-process and finished goods	33,119	28,932
Prepaid expenses and other current assets	16,032	12,609
Total current assets	253,674	215,482
Property, plant and equipment, at cost	218,119	205,359
Less accumulated depreciation	(138,414)	(128,824)
Net property, plant and equipment	79,705	76,535
Goodwill	55,282	52,758
Other intangible assets, net	23,127	24,030
Investments in associated companies	9,407	9,218
Deferred income taxes	25,784	28,846
Other assets	43,840	42,561
Total assets	$ 490,819	$ 449,430
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 836	$ 890
Accounts and other payables	79,465	63,893
Accrued compensation	11,026	17,140
Other current liabilities	19,808	19,268
Total current liabilities	111,135	101,191
Long-term debt	33,628	73,855
Deferred income taxes	6,817	6,108
Other non-current liabilities	77,534	81,177
Total liabilities	229,114	262,331
Equity		
Common stock $1 par value; authorized 30,000,000 shares; issued and outstanding 2011 – 12,823,294 shares; 2010 – 11,492,142 shares	12,823	11,492
Capital in excess of par value	87,249	38,275
Retained earnings	158,998	144,347
Accumulated other comprehensive loss	(5,507)	(13,736)
Total Quaker shareholders' equity	253,563	180,378
Noncontrolling interest	8,142	6,721
Total equity	261,705	187,099
Total liabilities and equity	$ 490,819	$ 449,430

* 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)		Unaudited (Dollars in thousands, except per share and share amounts)	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	$ 167,792	$ 135,991	$ 327,657	$ 264,311
Cost of goods sold	114,026	87,460	221,157	168,440
Gross profit	53,766	48,531	106,500	95,871
Selling, general and administrative expenses	38,825	35,118	77,459	68,787
Operating income	14,941	13,413	29,041	27,084
Other income, net	791	1,123	1,330	1,886
Interest expense	(1,200)	(1,386)	(2,418)	(2,697)
Interest income	271	343	543	527
Income before taxes and equity in net income of associated companies	14,803	13,493	28,496	26,800
Taxes on income before equity in net income of associated companies	4,499	4,143	7,321	7,324
Income before equity in net income of associated companies	10,304	9,350	21,175	19,476
Equity in net income of associated companies	251	384	610	295
Net income	10,555	9,734	21,785	19,771
Less: Net income attributable to noncontrolling interest	714	581	1,344	1,199
Net income attributable to Quaker Chemical Corporation	$ 9,841	$ 9,153	$ 20,441	$ 18,572
Per share data:				
Net income attributable to Quaker Chemical Corporation Common Shareholders – basic	$ 0.80	$ 0.82	$ 1.72	$ 1.66
Net income attributable to Quaker Chemical Corporation Common Shareholders – diluted	$ 0.79	$ 0.80	$ 1.69	$ 1.64
Dividends declared	$ 0.24	$ 0.235	$ 0.475	$ 0.465

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 Six Months Ended June 30, 2011	2010
Cash flows from operating activities		
Net income	$ 21,785	$ 19,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,405	5,068
Amortization	973	462
Equity in undistributed earnings of associated companies, net of dividends	(32)	(233)
Deferred compensation and other, net	4,162	(357)
Stock-based compensation	1,854	1,663
Gain on disposal of property, plant and equipment	(78)	(22)
Insurance settlement realized	(864)	(772)
Pension and other postretirement benefits	(4,168)	(2,227)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:		
Accounts receivable	(17,392)	(10,645)
Inventories	(13,986)	(7,181)
Prepaid expenses and other current assets	(4,029)	(1,641)
Accounts payable and accrued liabilities	6,537	6,409
Net cash provided by operating activities	167	10,295
Cash flows from investing activities		
Investments in property, plant and equipment	(6,641)	(3,468)
Proceeds from disposition of assets	221	59
Payments related to acquisitions, net of cash acquired	(717)	—
Insurance settlement received and interest earned	42	5,070
Change in restricted cash, net	822	(1,940)
Net cash used in investing activities	(6,273)	(279)
Cash flows from financing activities		
Net increase in short-term borrowings	—	1,263
Repayment of long-term debt	(40,402)	(2,614)
Dividends paid	(5,413)	(5,119)
Stock options exercised, other	146	1,663
Excess tax benefit related to stock option exercises	162	1,236
Proceeds from sale of common stock, net of related expenses	48,143	—
Net cash provided by (used in) financing activities	2,636	(3,571)
Effect of exchange rate changes on cash	1,245	(3,890)
Net (decrease) increase in cash and cash equivalents	(2,225)	2,555
Cash and cash equivalents at beginning of period	25,766	25,051
Cash and cash equivalents at end of period	$ 23,541	$ 27,606
Supplemental cash flow disclosures:		
Non-cash activities:		
Excess tax benefit related to stock option exercises	$ —	$ 882
Restricted insurance receivable (See also Note 13 of Notes to Condensed Consolidated Financial Statements)	—	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. The results for the three and six months ended June 30, 2011 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, 2010.

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. As a result of the devaluation, the Company recorded a charge of approximately $0.03 per diluted share in the first quarter of 2010.

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 $24,276 and $27,995 for the six months ended June 30, 2011 and 2010, respectively.

Note 2 – Recently Issued Accounting Standards

The FASB updated its guidance in June 2011 regarding presentation of comprehensive income. Comprehensive income will be required to be presented with the Consolidated Statement of Income or as a separate financial statement immediately following the Consolidated Statement of Income. Presentation of comprehensive income will no longer be presented as part of the Statement of Shareholders' Equity. The guidance is effective for annual and interim fiscal periods beginning after December 15, 2011. The Company is currently evaluating the effect of this guidance.

The FASB also updated its guidance in May 2011 regarding disclosures pertaining to assets and liabilities measured at fair value. The guidance requires quantitative measures regarding unobservable inputs for Level 3 assets and liabilities. Additionally, the guidance requires a sensitivity analysis regarding those inputs. The guidance is effective for annual and interim fiscal periods beginning after December 15, 2011. The Company is currently evaluating the effect of this guidance.

Note 3 – Income Taxes and Uncertain Income Tax Positions

The Company's year-to-date 2011 effective tax rate of 25.7% was lower than the year-to-date 2010 effective tax rate of 27.3%. Both year-to-date effective tax rates reflect the derecognition of uncertain tax positions due the expiration of applicable statutes of limitations for certain tax years of approximately $0.11 per diluted share. The most significant other item affecting the comparison of year-to-date effective tax rates is a higher utilization of foreign tax credits in 2011 which were previously not benefited.

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.

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

At December 31, 2010, the Company's cumulative liability for gross unrecognized tax benefits was $10,464. As of June 30, 2011, the Company's cumulative liability for gross unrecognized tax benefits was $11,282.

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 $1,824 for cumulative interest and $857 for cumulative penalties at December 31, 2010. The Company has recognized $184 and $59 for interest and $145 and $424 for penalties on its Consolidated Statement of Income for the three and six months ended June 30, 2011, respectively, and, as of June 30, 2011, the Company had accrued $2,008 for cumulative interest and $1,336 for cumulative penalties.

During the three months ended March 31, 2011, the Company derecognized uncertain tax positions due to expiration of the applicable statutes of limitations for certain tax years. As a result, the Company recognized a $922 decrease in its cumulative liability for gross unrecognized tax benefits. During the three months ended June 30, 2011, the Company derecognized several uncertain tax positions due to the liquidation of the Company's subsidiary in Wuxi China for certain tax years of approximately $36.

The Company estimates that during the year ending December 31, 2011 it will reduce its cumulative liability for gross unrecognized tax benefits by approximately $1,400 to $1,600 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 ending December 31, 2011.

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 from 2005, United Kingdom, Italy, Brazil, and Spain from 2006, China and the United States from 2007 and various domestic state tax jurisdictions from 1993.

Note 4 – 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, as well as acquisition related contingent consideration 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)

Assets	Fair Value as of June 30, 2011	Fair Value Measurements at June 30, 2011 Using Fair Value Hierarchy Level 1	Level 2	Level 3
Company-owned life insurance	$ 1,557	$ —	$ 1,557	$ —
Company-owned life insurance - Deferred compensation assets	546	—	546	—
Other deferred compensation assets				
Large capitalization registered investment companies	69	69	—	—
Mid capitalization registered investment companies	4	4	—	—
Small capitalization registered investment companies	8	8	—	—
International developed and emerging markets registered investment companies	39	39	—	—
Fixed income registered investment companies	8	8	—	—
Total	$ 2,231	$ 128	$ 2,103	$ —

Liabilities	Fair Value as of June 30, 2011	Fair Value Measurements at June 30, 2011 Using Fair Value Hierarchy Level 1	Level 2	Level 3
Deferred compensation liabilities				
Large capitalization registered investment companies	$ 341	$ 341	$ —	$ —
Mid capitalization registered investment companies	89	89	—	—
Small capitalization registered investment companies	74	74	—	—
International developed and emerging markets registered investment companies	206	206	—	—
Fixed income registered investment companies	49	49	—	—
Fixed general account	173	—	173	—
Interest rate derivatives	759	—	759	—
Acquisition related contingent consideration	5,738	—	—	5,738
Total	$ 7,429	$ 759	$ 932	$ 5,738

Assets	Fair Value as of December 31, 2010	Fair Value Measurements at December 31, 2010 Using Fair Value Hierarchy Level 1	Level 2	Level 3
Company-owned life insurance	$ 2,033	$ —	$ 2,033	$ —
Company-owned life insurance - Deferred compensation assets	593	—	593	—
Other deferred compensation assets				
Large capitalization registered investment companies	69	69	—	—
Mid capitalization registered investment companies	4	4	—	—
Small capitalization registered investment companies	8	8	—	—
International developed and emerging markets registered investment companies	40	40	—	—
Fixed income registered investment companies	10	10	—	—
Total	$ 2,757	$ 131	$ 2,626	$ —

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

Liabilities	Fair Value as of December 31, 2010	Fair Value Measurements at December 31, 2010 Using Fair Value Hierarchy Level 1	Level 2	Level 3
Deferred compensation liabilities				
Large capitalization registered investment companies	$ 347	$ 347	$ —	$ —
Mid capitalization registered investment companies	88	88	—	—
Small capitalization registered investment companies	71	71	—	—
International developed and emerging markets registered investment companies	213	213	—	—
Fixed income registered investment companies	52	52	—	—
Fixed general account	182	—	182	—
Interest rate derivatives	1,026	—	1,026	—
Acquisition related contingent consideration	5,350	—	—	5,350
Total	$ 7,329	$ 771	$ 1,208	$ 5,350

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. The fair value of the acquisition related contingent consideration is based on unobservable inputs and is classified as Level 3. Significant inputs and assumptions are management's estimate of the probability of the earnout ultimately being met/paid and the discount rate used to present value the liability.

Changes in the fair value of the Level 3 liability during the six months ended June 30, 2011 was as follows:

	Contingent Consideration
Balance at December 31, 2010	$ 5,350
Interest accretion	388
Balance at June 30, 2011	$ 5,738

Note 5 – 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 $15,000 as of June 30, 2011 and December 31, 2010.

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

	Balance Sheet Location	Fair Value June 30, 2011	December 31, 2010
Derivatives designated as cash flow hedges:			
Interest rate swaps	Other non-current liabilities	759	1,026
		$ 759	$ 1,026

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

Cash Flow Hedges
Interest Rate Swaps

		Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Amount of Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)		$ 78	$ 191	$ 174	$ 296
Amount and Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Interest Expense	$ (165)	$ (454)	$ (328)	$ (908)
Amount and Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Other Income	$ —	$ —	$ —	$ —

Note 6 – Stock-Based Compensation

The Company recognized approximately $1,854 of share-based compensation expense for the six months ended June 30, 2011. The compensation expense was comprised of $228 related to stock options, $671 related to nonvested stock awards, $23 related to the Company's Employee Stock Purchase Plan, $902 related to the Company's non elective 401(k) matching contribution and a portion of its elective 401(k) matching contribution in stock, and $30 related to the Company's Director Stock Ownership Plan.

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. 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, 2010	303,444	$ 14.19	
Options granted	36,835	37.37	
Options exercised	(10,163)	15.40	
Options forfeited	(11,018)	13.67	
Balance at June 30, 2011	319,098	$ 16.85	4.5
Exercisable at June 30, 2011	163,995	$ 14.48	3.6

As of June 30, 2011, the total intrinsic value of options outstanding was approximately $8,204, and the total intrinsic value of exercisable options was $4,605. 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 June 30, 2011 is as follows:

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

Range of Exercise Prices	Number Outstanding at 6/30/2011	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable at 6/30/2011	Weighted Average Exercise Price
$3.74 -$7.47	125,155	4.6	$ 6.93	74,595	$ 6.93
$7.48 -$18.69	—	—	—	—	—
$18.70 -$22.42	119,264	5.2	18.92	51,556	19.04
$22.43 -$26.16	37,844	0.3	23.13	37,844	23.13
$26.17 -$33.63	—	—	—	—	—
$33.64 -$37.37	36,835	6.7	37.37	—	—
	319,098	4.5	16.85	163,995	14.48

As of June 30, 2011, unrecognized compensation expense related to options granted during 2009 was $71, for options granted during 2010 was $341 and for options granted in 2011 was $444.

During the first quarter of 2011, the Company granted 36,835 stock options under the Company's LTIP plan that are subject only to time vesting over a three-year period. For the purposes of determining the fair value of stock option awards, the Company uses the Black-Scholes option pricing model and the assumptions set forth in the table below:

	2011
Dividend Yield	5.00 %
Expected Volatility	62.13 %
Risk-free interest rate	1.99 %
Expected term (years)	5.0
Expected forfeiture rate	3.00 %

Approximately $55 of expense was recorded on these options during the first six months of 2011. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

Nonvested shares granted under the Company's LTIP plans are shown below:

	Number of Shares	Weighted Average Grant Date Fair Value (per share)
Nonvested awards, December 31, 2010	163,076	$ 14.89
Granted	42,850	$ 39.29
Vested	(39,412)	$ 21.86
Forfeited	(9,151)	$ 11.65
Nonvested awards, June 30, 2011	157,363	$ 19.97

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 June 30, 2011, unrecognized compensation expense related to these awards was $1,892 to be recognized over a weighted average remaining period of 1.92 years.

Nonvested shares granted under the Company's GAIP plan are shown below:

Weighted
Average

	Number of Shares	Average Grant Date Fair Value (per share)
Nonvested awards, December 31, 2010	63,250	$ 7.72
Granted	—	$ —
Vested	—	$ —
Forfeited	(500)	$ 7.72
Nonvested awards, June 30, 2011	62,750	$ 7.72

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

As of June 30, 2011, unrecognized compensation expense related to these awards was $121, to be recognized over a weighted average remaining period of 0.75 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 Company. 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 June 30, 2011, 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 may elect to receive payment of a percentage (up to 100%) of the annual retainer in shares of common stock. Currently, the annual retainer is $40. 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.

Note 7 – 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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Basic Earnings per Common Share				
Net income attributable to Quaker Chemical Corporation	$ 9,841	$ 9,153	$ 20,441	$ 18,572
Less: income allocated to participating securities	(182)	(196)	(384)	(399)
Net income available to common shareholders	$ 9,659	$ 8,957	$ 20,057	$ 18,173
Basic weighted average common shares outstanding	12,043,858	10,973,547	11,668,657	10,926,647
Basic earnings per common share	$ 0.80	$ 0.82	$ 1.72	$ 1.66
Diluted Earnings per Common Share				
Net income attributable to Quaker Chemical Corporation	$ 9,841	$ 9,153	$ 20,441	$ 18,572
Less: income allocated to participating securities	(180)	(194)	(380)	(394)
Net income available to common shareholders	$ 9,661	$ 8,959	$ 20,061	$ 18,178
Basic weighted average common shares outstanding	12,043,858	10,973,547	11,668,657	10,926,647
Effect of dilutive securities, common shares outstanding	174,919	203,417	175,905	158,314
Diluted weighted average common shares outstanding	12,218,777	11,176,964	11,844,562	11,084,961
Diluted earnings per common share	$ 0.79	$ 0.80	$ 1.69	$ 1.64

The following number of stock options are not included in diluted earnings per share since the effect would have been anti-dilutive: 8,209 and 0 for the three months ended June 30, 2011 and 2010, and 10,208 and 7,300 for the six months ended June 30, 2011 and 2010, respectively.

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

Note 8 – 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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Metalworking Process Chemicals				
Net sales	$ 156,772	$ 126,962	$ 307,505	$ 248,167
Operating income for reportable segments	26,149	25,117	53,084	50,636
Coatings				
Net sales	10,487	8,510	18,969	15,274
Operating income for reportable segments	2,446	1,918	4,409	3,326
Other Chemical Products				
Net sales	533	519	1,183	870
Operating income (loss) for reportable segments	4	23	39	(34)
Total				
Net sales	167,792	135,991	327,657	264,311
Operating income for reportable segments	28,599	27,058	57,532	53,928
Non-operating expenses	(13,171)	(13,437)	(27,518)	(26,382)
Amortization	(487)	(208)	(973)	(462)
Interest expense	(1,200)	(1,386)	(2,418)	(2,697)
Interest income	271	343	543	527
Other income, net	791	1,123	1,330	1,886
Consolidated income before taxes and equity in net income of associated companies	$ 14,803	$ 13,493	$ 28,496	$ 26,800

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
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(Unaudited)

Note 9 – Equity, Noncontrolling Interest and Comprehensive Income

The following table presents the changes in equity, noncontrolling interest and comprehensive income for the three and six months ended June 30, 2011 and 2010:

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Comprehensive Income	Total
Balance at March 31, 2011	$ 11,531	$ 39,132	$ 152,237	$ (9,497)	$ 7,359		$ 200,762
Net income	—	—	9,841		714	$ 10,555	
Currency translation adjustments	—	—	—	3,587	69	3,656	
Defined benefit retirement plans	—	—	—	325	—	325	
Current period changes in fair value of derivatives	—	—	—	78	—	78	
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	
Comprehensive income						14,614	14,614
Comprehensive loss attributable to noncontrolling interest						(783)	
Comprehensive income attributable to Quaker Chemical Corporation						$ 13,831	
Dividends ($0.235 per share)	—	—	(3,080)	—	—		(3,080)
Stock offering, net of related expenses	1,265	46,878	—	—	—		48,143
Share issuance and equity-based compensation plans	27	1,155	—	—	—		1,182
Excess tax benefit from stock option exercises	—	84	—	—	—		84
Balance at June 30, 2011	$ 12,823	$ 87,249	$ 158,998	$ (5,507)	$ 8,142		$ 261,705
Balance at March 31, 2010	$ 11,152	$ 30,277	$ 129,994	$ (14,058)	$ 5,750		$ 163,115
Net income	—	—	9,153		581	$ 9,734	
Currency translation adjustments	—	—	—	(6,458)	(268)	(6,726)	
Defined benefit retirement plans	—	—	—	269	—	269	
Current period changes in fair value of derivatives	—	—	—	191	—	191	
Unrealized loss on available-for-sale securities	—	—	—	(14)	—	(14)	
Comprehensive							

income						3,454	3,454
Comprehensive loss attributable to noncontrolling interest						(313)	
Comprehensive income attributable to Quaker Chemical Corporation						$ 3,141	
Dividends ($0.235 per share)	—	—	(2,650)	—	—		(2,650)
Share issuance and equity-based compensation plans	107	2,357	—	—	—		2,464
Excess tax benefit from stock option exercises	—	164	—	—	—		164
Balance at June 30, 2010	$ 11,259	$ 32,798	$ 136,497	$ (20,070)	$ 6,063		$ 166,547

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Notes to Condensed Consolidated Financial Statements - Continued
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	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Comprehensive Income	Total
Balance at December 31, 2010	$ 11,492	$ 38,275	$ 144,347	$ (13,736)	$ 6,721		$ 187,099
Net income	—	—	20,441	—	1,344	$ 21,785	
Currency translation adjustments	—	—	—	7,400	77	7,477	
Defined benefit retirement plans	—	—	—	649	—	649	
Current period changes in fair value of derivatives	—	—	—	174	—	174	
Unrealized gain on available-for-sale securities	—	—	—	6	—	6	
Comprehensive income						30,091	30,091
Comprehensive loss attributable to noncontrolling interest						(1,421)	
Comprehensive income attributable to Quaker Chemical Corporation						$ 28,670	
Dividends ($0.47 per share)	—	—	(5,790)	—	—		(5,790)
Stock offering, net of related expenses	1,265	46,878	—	—	—		48,143
Share issuance and equity-based compensation plans	66	1,934	—	—	—		2,000
Excess tax benefit from stock option exercises	—	162	—	—	—		162
Balance at June 30, 2011	$ 12,823	$ 87,249	$ 158,998	$ (5,507)	$ 8,142		$ 261,705
Balance at December 31, 2009	$ 11,086	$ 27,527	$ 123,140	$ (10,439)	$ 4,981		$ 156,295
Net income	—	—	18,572		1,199	$ 19,771	
Currency translation adjustments	—	—	—	(10,456)	(117)	(10,573)	
Defined benefit retirement plans	—	—	—	538	—	538	
Current period changes in fair value of derivatives	—	—	—	296	—	296	
Unrealized loss on available-for-sale securities	—	—	—	(9)	—	(9)	
Comprehensive income						10,023	10,023
Comprehensive loss attributable to noncontrolling							

interest						(1,082)	
Comprehensive income attributable to Quaker Chemical Corporation						$ 8,941	
Dividends ($0.465 per share)	—	—	(5,215)	—	—		(5,215)
Share issuance and equity-based compensation plans	173	3,153	—	—	—		3,326
Excess tax benefit from stock option exercises	—	2,118	—	—	—		2,118
Balance at June 30, 2010	$ 11,259	$ 32,798	$ 136,497	$ (20,070)	$ 6,063		$ 166,547

During the first half of 2011, the Company recorded $162 of excess tax benefits in capital in excess of par value on its Condensed Consolidated Balance Sheet, related to stock option exercises. During the first half of 2010, the Company recorded $2,118 of these benefits. Prior to the first quarter of 2010, the Company's actual taxable income in affected jurisdictions was not sufficient to recognize these benefits, while the Company's full-year 2010 taxable income was sufficient to recognize these benefits. As a result, the Company recognized $162 and $1,236 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 June 30, 2011 and 2010, respectively.

The Company sold 1,265,000 shares of its common stock during the second quarter of 2011. The Company received proceeds of $48,143, net of related offering expenses, commissions and underwriting fees. The Company used the proceeds to repay a portion of its revolving credit line during the second quarter of 2011.

Quaker Chemical Corporation
Notes to Condensed Consolidated Financial Statements - Continued
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Note 10 – Business Acquisitions

In July 2010, the Company completed the acquisition of the assets of D.A. Stuart's U.S. aluminum hot rolling oil business from Houghton International for $6,793. This acquisition strategically strengthens the Company's position in the non-ferrous industry, as the acquired product portfolio is complementary to its existing business. The Company allocated $2,351 to intangible assets, comprised of customer lists, to be amortized over 15 years; trade names, to be amortized over 10 years; and a trademark, to be amortized over one year. In addition, the Company recorded $3,133 of goodwill, all of which will be tax-deductible, and was assigned to the metalworking process chemicals segment.

In December 2010, the Company completed the acquisition of Summit Lubricants, Inc. for approximately $29,116, subject to certain post closing adjustments. The Company paid an additional $717 in the second quarter of 2011 to complete post closing adjustments. Summit Lubricants manufactures and distributes specialty greases and lubricants and is complementary to the Company's existing business. The Company allocated $17,100 to intangible assets, comprised of formulations, to be amortized over 15 years; customer lists, to be amortized over 20 years; a non-competition agreement, to be amortized over 5 years; and a trademark, which was assigned an indefinite life. In addition, the Company recorded $3,804 of goodwill, all of which will be tax deductible, and was assigned to the metalworking process chemicals segment. Liabilities assumed include an earnout to be paid to the former shareholders if certain earnings targets are met by the end of 2013.

The following table shows the allocation of the purchase price of the assets and liabilities acquired as of June 30, 2011. The pro forma results of operations have not been provided because the effects were not material:

	D.A. Stuart	Summit Lubricants	Total
Current assets	$ 1,176	$ 6,198	$ 7,374
Fixed assets	133	9,430	9,563
Intangibles	2,351	17,100	19,451
Goodwill	3,133	3,804	6,937
Total assets	6,793	36,532	43,325
Current liabilities	—	(1,349)	(1,349)
Earnout	—	(5,350)	(5,350)
Total liabilities assumed	—	(6,699)	(6,699)
Cash paid	$ 6,793	$ 29,833	$ 36,626

Subsequent to June 30, 2011, the Company acquired the remaining 60% ownership interest in its Mexican equity affiliate for approximately $10,500 in cash, with an additional $2,000 payable in the third quarter of 2012, subject to certain conditions. The acquisition strengthens the Company's position in the growing Mexican market. In connection with the acquisition, the Company expects to record a one-time gain in the third quarter of 2011.

Note 11 – Goodwill and Other Intangible Assets

The changes in carrying amount of goodwill for the six months ended June 30, 2011 are as follows. The Company has recorded no impairment charges in the past:

	Metalworking Process Chemicals	Coatings	Total
Balance as of December 31, 2010	$ 44,677	$ 8,081	$52,758
Goodwill additions	717	—	717
Currency translation adjustments	1,807	—	1,807
Balance as of June 30, 2011	$ 47,201	$ 8,081	$55,282

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Gross carrying amounts and accumulated amortization for definite-lived intangible assets as of June 30, 2011 and December 31, 2010 are as follows:

	Gross Carrying Amount		Accumulated Amortization	
	2011	2010	2011	2010
Amortized intangible assets				
Customer lists and rights to sell	$ 24,563	$ 24,379	$ 5,777	$ 4,974
Trademarks and patents	2,035	2,035	1,813	1,800
Formulations and product technology	5,278	5,278	2,899	2,708
Other	4,009	4,004	3,369	3,284
Total	$ 35,885	$ 35,696	$ 13,858	$ 12,766

The Company recorded $973 and $462 of amortization expense in the six months ended June 30, 2011 and 2010, respectively. Estimated annual aggregate amortization expense for the current year and subsequent five years is as follows:

For the year ended December 31, 2011	$ 1,942
For the year ended December 31, 2012	$ 1,843
For the year ended December 31, 2013	$ 1,662
For the year ended December 31, 2014	$ 1,426
For the year ended December 31, 2015	$ 1,426
For the year ended December 31, 2016	$ 1,253

The Company has two indefinite-lived intangible assets totaling $1,100 for trademarks recorded in connection with the Company's 2002 acquisition of Epmar and its 2010 acquisition of Summit Lubricants.

Note 12 – Pension and Other Postretirement Benefits

The components of net periodic benefit cost for the three and six months ended June 30, are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010	2011	2010	2011	2010
Service cost	$ 593	$ 480	$ 5	$ 5	$ 1,164	$ 991	$ 10	$ 9
Interest cost and other	1,555	1,482	89	98	3,077	3,012	178	197
Expected return on plan assets	(1,449)	(1,344)	—	—	(2,873)	(2,728)	—	—
Other amortization, net	461	402	31	13	921	804	62	26
Net periodic benefit cost	$ 1,160	$ 1,020	$ 125	$ 116	$ 2,289	$ 2,079	$ 250	$ 232

Employer Contributions:

The Company previously disclosed in its financial statements for the year ended December 31, 2010, that it expected to make minimum cash contributions of $8,397 to its pension plans and $823 to its other postretirement benefit plan in 2011. As of June 30, 2011, $6,455 and $414 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 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 current Federal maximum contaminant level for four consecutive quarterly sampling events. As of June 30, 2011 the Company believes that the range of potential-known liabilities associated with ACP contamination including the water and soil remediation program is approximately $1,200 to $2,200, for which the Company has sufficient reserves.

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 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 ACP. Based on the modeling, it is estimated that P-2 will operate for another three to five years and P-3 will operate for one and one-half years to up to two 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 $438 and $374 were accrued at June 30, 2011 and December 31, 2010, 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 $7,700 (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 of 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 are 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 active asbestos cases against the Company challenging the parent-subsidiary relationship are in

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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.

As initially disclosed in the Company's second quarter 2010 Form 10-Q, one of the Company's subsidiaries may have paid certain value-added-taxes ("VAT") incorrectly and, in certain cases, may not have collected sufficient VAT from certain customers. The VAT rules and regulations at issue are complex, vary among the jurisdictions and can be contradictory, in particular as to how they relate to the subsidiary's products and to sales between jurisdictions.

Since its inception, the subsidiary had been consistent in its VAT collection and remittance practices and had never been contacted by any tax authority relative to VAT. Now the subsidiary has determined that for certain products, a portion of the VAT was incorrectly paid and that the total VAT due exceeds the amount originally collected and remitted by the subsidiary. In 2010, three jurisdictions contacted the subsidiary. In two jurisdictions, the subsidiary has either participated in an amnesty program or entered into a settlement whereby it paid a reduced portion of the amounts owed in resolution of those jurisdictions' claims. In April 2011, the subsidiary received a notice requesting payment of VAT from the third jurisdiction. The subsidiary has modified its VAT invoicing and payment procedures to eliminate or mitigate future exposure.

In analyzing the subsidiary's exposure, it is difficult to estimate both the probability and the amount of any potential liabilities due to a number of factors, including: the decrease in exposure over time due to applicable statutes of limitations and actions taken by the subsidiary, the joint liability of customers and suppliers for a portion of the VAT, the availability of a VAT refund for VAT incorrectly paid through an administrative process, any amounts which may have been or will be paid by customers, as well as the timing and structure of any tax amnesties or settlements. In addition, interest and penalties on any VAT due can be a multiple of the base tax. The subsidiary may contest any tax assessment administratively and/or judicially for an extended period of time, but may ultimately resolve its disputes through participation in tax amnesty programs, which are a common practice for settling tax disputes in the jurisdictions in question and which have historically occurred on a regular basis, resulting in significant reductions of interest and penalties. Also, the timing of payments and refunds of VAT may not be contemporaneous, and, if additional VAT is owed, it may not be fully recoverable from customers. As a result, this matter has the potential to have a material adverse impact on the Company's financial position, liquidity and capital resources and the results of operations.

In 2010, the Company recorded a net charge of $4,132, which consisted of a net $3,901 charge related to two tax dispute settlements entered into by the subsidiary, as well as a net $231 charge representing management's best estimate based on the information available to it, including the factors noted above, of the amount that ultimately may be paid related to the other jurisdiction that has made inquiries. At June 30, 2011 and December 31, 2010, the Company had $697 and $1,560, respectively, accrued for remaining payments to be made under tax dispute settlements entered into by the subsidiary. The change in the accrual from December 31, 2010 reflects year-to-date payments made in accordance with the Company's tax dispute settlements. In addition, the Company had $245 accrued at December 31, 2010 and $306 accrued at June 30, 2011, related to the other jurisdiction that has made inquiries.

The charges taken by the Company in 2010 assume a successful recovery of the VAT incorrectly paid, as well as reductions in interest and penalties from anticipated future amnesty programs or settlements. On a similar basis, if all other potentially impacted jurisdictions were to initiate audits and issue assessments, the remaining exposure, net of refunds, could be from $0 to $26,000 with one jurisdiction representing approximately 84 percent of this additional exposure, assuming the continued availability of future amnesty programs or settlements to reduce the interest and penalties. If there are future assessments but no such future amnesty programs or settlements, the potential exposure could be higher.

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, aluminum, automotive, mining, aerospace, tube and pipe, coatings and construction materials. Our products, technical solutions, and chemical management services ("CMS") enhance our customers' processes, improve their product quality, and lower their costs.

The Company's revenue growth in the second quarter of 2011 was primarily driven by acquisitions, selling price increases implemented across the globe to help offset higher raw material costs, as well as foreign exchange rate translation. The increased pace of the escalation in raw material prices has exceeded pricing actions taken, resulting in a decreased gross margin. The Company is implementing further price increases in an effort to restore margins to historically acceptable levels. Selling, general and administrative expenses ("SG&A") increased approximately $3.7 million primarily due to increased business activity, acquisition-related activity, foreign exchange rate translation, as well as investments in key growth initiatives.

During the second quarter of 2011 the Company completed an equity offering of approximately 1.3 million shares, raising approximately $48.1 million of net cash proceeds, which were used to repay a portion of its revolving credit line. The second quarter 2011 earnings per diluted share of $0.79 reflects an approximate $0.04 dilutive effect as a result of this equity offering. In July 2011, the Company purchased the remaining ownership interest in its Mexican equity affiliate. Cash consideration of $10.5 million was paid for the 60% interest not previously owned by the Company, with an additional $2.0 million payable in July 2012, subject to certain conditions. As part of the acquisition, the Company will record a one-time gain in the third quarter of 2011, representing a revaluation of its existing ownership interest in this affiliate.

In the second half of 2011, management sees some potential demand uncertainty in markets such as China, India, and Brazil as their governments try to manage inflation. However, over the next several years, the Company still believes these markets will have strong growth especially for its key steel and automotive markets, and the Company is continuing to invest in additional resources in these areas. Despite the uncertainties in the raw material markets and global economies, managements' overall view for 2011 is unchanged as the Company expects to build upon the profitability achieved in 2010. In addition, the Company's recent stock offering has increased its financial flexibility to take advantage of growth opportunities, such as the recent acquisition of the remaining ownership interest in its Mexican affiliate. With the Company's leadership positions in both the emerging and mature markets, combined with both organic and external growth opportunities, management remains confident in the Company's prospects for 2011 and beyond.

CMS Discussion

The Company currently has more than 40 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. Profit is dependent on how well the Company controls product costs and achieves product conversions from other third-party suppliers' products to its own products. As a result, under the alternative 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 experienced a shift in customer requirements and business circumstances where almost all 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 $23.5 million at June 30, 2011 from $25.8 million at December 31, 2010. The decrease of $2.3 million resulted from $0.2 million of cash provided by operating activities, $6.3 million of cash used in investing activities, $2.6 million of cash provided by financing activities and a $1.2 million increase from the effect of exchange rates on cash.

Net cash flows provided by operating activities were $0.2 million in the first half of 2011 compared to $10.3 million provided by operating activities in the first half of 2010. The Company's increase in net income was more than offset by increased business activity resulting in an increased investment in working capital as well as higher pension plan contributions compared to the first half of 2010.

Net cash flows used in investing activities were $6.3 million in the first half of 2011 compared to $0.3 million used in investing activities in the first quarter of 2010. Increased investments in the Company's Ohio, New York and China plants, as well as the Company's global ERP system, were the primary drivers of the increased investments in property, plant and equipment. In addition, the receipt of the final payment in the first quarter of 2010 from the Company's insurance settlement (discussed below) and decreases in the Company's construction fund related to the Company's expansion of its Middletown, Ohio manufacturing facility in the prior year, also affected the investing cash flow comparisons.

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 of 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 $2.6 million in the first half of 2011 compared to $3.6 million used in financing activities in the first half of 2010. The Company's second quarter 2011 offering of approximately 1.3 million shares of its common stock resulted in net cash proceeds of approximately $48.1 million, which was used to repay a portion of the Company's revolving credit line. During the first half of 2011, the Company recorded $0.2 million of excess tax benefits in capital in excess of par on its Condensed Consolidated Balance Sheet, and as a cash flow from financing activities in its Condensed Consolidated Statement of Cash Flows, related to stock option exercises. During the first half of 2010, the Company recorded approximately $2.1 million of these benefits on its Condensed Consolidated Balance Sheet and recognized $1.2 million as a cash inflow from financing activities in its Condensed Consolidated Statement of Cash Flows, related to stock option exercises which occurred over prior years. Prior to 2010, the Company's actual taxable income in affected jurisdictions was not sufficient to recognize these benefits, while the Company's 2010 taxable income was sufficient to recognize the benefits. Higher stock option exercise activity in the prior year also affected the financing cash flow comparisons.

The Company's primary credit line is a $175.0 million syndicated multicurrency credit agreement with Bank of America, N.A. (administrative agent) and certain other major financial institutions, which expires in 2014. At June 30, 2011 and December 31, 2010, the Company had approximately $15.0 million and $55.0 million outstanding, respectively. The Company's access to this credit is largely dependent on its consolidated leverage ratio covenant, which cannot exceed 3.50 to 1, and at June 30, 2011, the consolidated leverage ratio was below 1.0 to 1. The Company has entered into interest rate swaps with a combined notional value of $15.0 million as of June 30, 2011, in order to fix the interest rate on that amount 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 June 30, 2011, the Company's gross liability for uncertain tax positions, including accrued interest and penalties, was $14.6 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 $8.1 million as a result of offsetting benefits in other tax jurisdictions.

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 the Second Quarter of 2011 with the Second Quarter of 2010

Net sales for the second quarter of 2011 were $167.8 million, an increase of 23% from the second quarter of 2010. Product volumes were higher by approximately 5%, primarily due to acquisitions. Selling prices and mix increased revenues by approximately 11%, as the Company continues to implement price increases across the globe to help offset higher raw material costs. Foreign exchange rates also increased revenues by approximately 7%.

Gross profit increased by approximately $5.2 million, or 11%, from the second quarter of 2010, but gross margin decreased from 35.7% in the second quarter of 2010 to 32.0% in the second quarter of 2011. The pace of raw material price increases continued to rapidly escalate from the first quarter of 2011. The Company continues to implement price increases to help restore margins.

SG&A increased approximately $3.7 million compared to the second quarter of 2010. Higher selling costs on increased business activity, acquisition related activity and foreign exchange rate translation accounted for the majority of the increase. In addition, higher inflationary and other costs were offset by lower incentive compensation. SG&A as a percentage of sales decreased to 23.1% in the second quarter of 2011 from 25.8% in the second quarter of 2010.

Other income decreased in the second quarter of 2011 primarily due to larger foreign exchange gains in the second quarter of 2010. Net interest expense decreased primarily due to lower average borrowings as a result of the use of the net cash proceeds from the Company's second quarter equity offering to repay a portion of the Company's revolving credit line.

The second quarter effective tax rate was 30.4%, compared to 30.7% in the second quarter of 2010. Many external and internal factors can impact this rate and the Company will continue to refine this rate, if necessary, as the year progresses. Please refer to the Comparison of the First Six Months of 2011 with the First Six Months of 2010, for further discussion.

Segment Reviews—Comparison of the Second Quarter of 2011 with the Second Quarter of 2010

Metalworking Process Chemicals

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represented approximately 93% of the Company's net sales in the second quarter of 2011. Net sales were up $29.8 million, or 23%. Foreign exchange translation positively impacted net sales by approximately 7%, primarily driven by the E.U. Euro and Brazilian Real to U.S. Dollar exchange rates. The average U.S. Dollar to E.U. Euro exchange rate was 1.44 in the second quarter of 2011 compared to 1.27 in the second quarter of 2010. The U.S. Dollar to Brazilian Real exchange rate was 0.63 in the second quarter of 2011 compared to 0.56 in the second quarter of 2010. Net sales were positively impacted by increases of 15% in North America (excluding acquisitions), 10% in Europe and 14% in Asia/Pacific, slightly offset by a 1% decrease in South America, all on a constant currency basis. The Company's 2010 acquisition activity accounted for approximately 6% of the increased sales in this segment. The remaining increase in this segment's sales was primarily due to increased selling prices and changes in mix across the globe. The Company continues to implement price increases to help offset higher raw material costs. This segment's operating income increased $1.0 million, with the sales price increases noted above and the Company's 2010 acquisitions, which were partially offset by higher raw material costs and higher SG&A costs as the Company is investing in additional resources to support its growth initiatives.

Coatings

The Company's coatings segment, which represented approximately 6% of the Company's net sales in the second quarter of 2011, contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Net sales for this segment were higher by $2.0 million, or 23%, due to increased sales in chemical milling maskants sold to the aerospace industry. This segment's operating income increased by $0.5 million, consistent with the volume increases noted above.

Other Chemical Products

Other Chemical Products, which represented less than 1% of the Company's net sales in the second quarter of 2011, consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Net sales were consistent with the prior year period and operating income was slightly lower than the second quarter of 2010.

Comparison of the First Six Months of 2011 with the First Six Months of 2010

Net sales for the first half of 2011 were $327.7 million, an increase of 24% from $264.3 million in the first half of 2010. Product volumes were higher by approximately 11%, including the effects of acquisitions. Selling prices and mix increased revenues by approximately 9%, as the Company continues to implement price increases to help offset higher raw material costs. Foreign exchange rates also increased revenues by approximately 4%.

Gross profit increased by approximately $10.6 million, or 11%, from the first half of 2010, but gross margin decreased from 36.3% in the first half of 2010 to 32.5% in the first half of 2011, as raw material costs have continued to escalate. The Company continues to implement price increases to help restore margins.

SG&A increased approximately $8.7 million compared to the first half of 2010. Higher selling costs on increased business activity, acquisition related activity and foreign exchange rate translation accounted for approximately 64% of the increase. Higher inflationary and other costs partially offset by lower incentive compensation accounted for the remainder of the increase. SG&A as a percentage of sales decreased to 23.6% in the first half of 2011 from 26.0% in the first half of 2010.

Net interest expense decreased due to lower interest rates and lower average borrowings. Other income decreased due to higher foreign exchange gains in the first half of 2010. Equity in net income of associated companies increased compared to the first half of 2010 as the prior year reflected a charge of approximately $0.03 per diluted share related to the first quarter 2010 devaluation of the Venezuelan Bolivar Fuerte.

The Company's first half 2011 tax rate of 25.7% was lower than the 2010 first half effective tax rate of 27.3% due to the higher utilization of previously unbenefited foreign tax credits. Each period reflects the derecognition of uncertain tax positions due to the expiration of applicable statutes of limitations for certain tax years of approximately $0.11 per diluted share. The Company has experienced and expects to further experience 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. At the end of 2010, the Company had net U.S. deferred tax assets totaling $14.8 million, excluding deferred tax assets related 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 Company continues to closely monitor the factors affecting its net deferred tax assets and the assessment of valuation allowances.

Segment Reviews—Comparison of the First Six Months of 2011 with the First Six Months of 2010

Metalworking Process Chemicals

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represented approximately 94% of the Company's net sales in the first half of 2011. Net sales increased $59.3 million, or 24%, compared to the first half of 2010. Foreign currency translation positively impacted net sales by approximately 5%, primarily driven by the E.U. Euro and Brazilian Real to U.S. Dollar exchange rates. The average U.S. Dollar to E.U. Euro exchange rate was 1.40 in the first half of 2011 compared to 1.33 in the first half of 2010, and the average U.S. Dollar to Brazilian Real exchange rate was 0.61 in the first half of 2011 compared to 0.56 in the first half of 2010. Net sales were positively impacted by increases of 14% in North America (excluding acquisitions), 15% in Europe, 18% in Asia/Pacific and 5% in South America, all on a constant currency basis. The Company's 2010 acquisition activity accounted for 6% of the increased sales in this segment. The remainder of the increase in this segment's sales was due to both volume and selling price increases and mix changes. The Company continues to implement price increases to help offset higher raw material costs. This segment's operating income increased $2.4 million, with the volume and sales price increases noted above and the Company's 2010 acquisitions, which were partially offset by higher raw material costs and higher SG&A costs as the Company is investing in additional resources to support its growth initiatives.

Coatings

The Company's coatings segment, which represented approximately 6% of the Company's net sales in the first half of 2011, contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Net sales for this segment were higher by $3.7 million, or 24%, due to increased sales in both chemical milling maskants sold to the aerospace industry and certain coatings product lines. This segment's operating income increased by $1.1 million, consistent with the volume increases noted above.

Other Chemical Products

Other Chemical Products, which represented less than 1% of the Company's net sales in the first half of 2011, consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Net sales increased approximately $0.3 million due to increased activity in the oil and gas market. Operating income was slightly above break-even, compared to a slight loss in the first half of 2010.

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. Our 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 demand for the Company’s products and services 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 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.

We have evaluated the information required under this item that was disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2010, and we believe there has been no material change to that information.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period cover by this report. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that as of the end of the period covered by this report our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective.

Changes in internal control over financial reporting. As required by Rule 13a-15(d) under the Exchange Act, our management, including our principal executive officer and principal financial officer, has evaluated our internal control over financial reporting to determine whether any changes to our internal control over financial reporting occurred during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, except as described below, no changes to our internal control over financial reporting occurred during the quarter ended June 30, 2011.

During the quarter ended June 30, 2011, the Company added an additional location to the Company's global ERP system. In connection with this implementation, the Company modified various procedures, including but not limited to, business processes such as user access security, data conversion, standardization and automation of system reporting and authorizations and reconciliations. The Company monitored and continues to monitor these changes as they relate to the Company's internal control over financial reporting.

PART II.
OTHER INFORMATION

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information concerning shares of the Company's common stock acquired by the Company during the period covered by this report, all of which were acquired from employees in payment of the exercise price of employee stock options exercised, or for the payment of taxes upon the vesting of restricted stock, during the period.

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share (2)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (3)
April 1 - April 30	—	$ —	—	252,600
May 1 - May 31	—	$ —	—	252,600
June 1 - June 30	573	$ 40.91	—	252,600
Total	573	$ 40.91	—	252,600

(1) All of the 573 shares acquired by the Company during the period covered by this report were acquired from employees upon their surrender of previously owned shares in payment of taxes upon vesting of restricted stock.

(2) The price per share represented the closing price of the Company's common stock on the date of vesting, as specified by the plan pursuant to which the restricted stock was granted.

(3) On February 15, 1995, the Board of Directors of the Company authorized a share repurchase program authorizing the repurchase of up to 500,000 shares of Quaker common stock, and, on January 26, 2005, the Board authorized the repurchase of up to an additional 225,000 shares. Under the 1995 action of the Board, 27,600 shares may yet be purchased. Under the 2005 action of the Board, none of the shares authorized have been purchased and, accordingly, all of those shares may yet be purchased. Neither of the share repurchase authorizations has an expiration date.

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Item 6. Exhibits

(a) Exhibits

10.1	–	Employment Agreement by and between Dieter Laininger and Quaker Chemical B.V., a subsidiary of the registrant, dated June 1, 2011, effective June 15, 2011. *
10.2	–	Change in Control Agreement by and between Registrant and Dieter Laininger dated May 31, 2011, effective June 15, 2011.*
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
101.INS **	–	XBRL Instance Document
101.SCH **	–	XBRL Extension Schema Document
101.CAL **	–	XBRL Calculation Linkbase Document
101.DEF **	–	XBRL Definition Linkbase Document
101.LAB **	–	XBRL Label Linkbase Document
101.PRE **	–	XBRL Presentation Linkbase Document

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

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

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

QUAKER CHEMICAL CORPORATION
(Registrant)

/s/ Mark A. Featherstone

Date: July 27, 2011

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

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, signed this day of June first, 2011 to be effective as of June 15, by and between QUAKER CHEMICAL B.V., a Netherlands corporation (hereinafter referred to as "QUAKER"), and DIETER LAININGER (hereinafter referred to as "EXECUTIVE").

BACKGROUND

EXECUTIVE has been employed with QUAKER and its affiliate, Quaker Chemical Corporation, at various positions including, most recently, as its Industry Business Director – Steel/Fluid Power. QUAKER now wishes to employ EXECUTIVE as Vice President – Global Steel, and EXECUTIVE wishes to be employed by QUAKER in that position.

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:

1.0 Appointment.

1.1 Effective as of the date written above QUAKER agrees to employ EXECUTIVE, and EXECUTIVE agrees to serve as QUAKER's Vice President - Global Steel. He shall perform all duties consistent with such position as well as any other duties that are assigned to him from time to time by the Chairman, Chief Executive Officer and President or the Board of Directors of Quaker Chemical Corporation. EXECUTIVE covenants and agrees that he will, during the term of this Employment Agreement or any extension or renewal thereof, devote his knowledge, skill, and working time solely and exclusively to the business and interests of QUAKER.

1.2 Since EXECUTIVE's new position is with QUAKER, EXECUTIVE's RIM contract dated February 21, 2001; and the confirmation letter dated February 21, 2006 are hereby terminated as of June 14, 2011, and have no continuing legal effect other than recognizing years of service (as of September first, 1991 for any applicable benefits to be extended pursuant to this Agreement.

2.0 Term.

2.1 Except as otherwise provided for in Paragraph 6, the term of EXECUTIVE's employment shall continue for an indefinite period of time. The employment may be terminated by either party with due observance of a 12 months notice period. Notice may only be given in writing.

3.0 Compensation and Benefits.

3.1 EXECUTIVE's annual base salary will amount to € 198, 442.20 gross (subject to applicable withholding) as per September 1, 2011, which will be paid in 12 monthly installments of € 16, 536.85 gross (subject to applicable withholding). 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.

3.2 EXECUTIVE will be entitled to an annual incentive bonus package to be established at 0 up to a maximum of 50% of base annual salary (annual salary defined as monthly gross salary x 12) in accordance with the Quaker Chemical Corporation's Global Annual Incentive Plan. Under the Quaker Chemical Corporation's Long-Term Incentive Plan, EXECUTIVE will participate at Level 1 with the awards to be annually approved by the Compensation and Management Development Committee of the Board of Directors of Quaker Chemical Corporation. Both of the aforementioned incentive Plans may be amended by the Board of Directors at any time including eligibility to participate in any given QUAKER (and/or its affiliate's) incentive plan, the level of participation in any QUAKER (and/or its affiliate's) incentive plan, and the terms and conditions of any QUAKER (and/or its affiliate's) incentive plan. Any changes to those Plans, including participation levels shall not affect any of the other terms and conditions hereof including, without limitation, the convenants contained in the Declaration of Secrecy and Non-Competition attached as Addendum 1. Revisions to Addendum 1 shall become effective upon notification in writing by QUAKER.

3.3 Pursuant to the express terms of the Employment Agreement (and this summary of the general terms of employment), EXECUTIVE shall be responsible for the payment of all withholding taxes, social security payments, and other applicable governmental taxes, charges, or payments.

3.4 EXECUTIVE is eligible for a company automobile for business and personal use consistent with QUAKER's policy applicable to such benefit as the same may be revised from time to time. In accordance with QUAKER's policy, EXECUTIVE will be entitled to reimbursement of telephone expenses.

3.5 EXECUTIVE will be eligible for a contribution for pensions in the annual amount of Euro 16,930.- This amount will be indexed for inflation every year.

4.0 Insurance and additional arrangements.

4.1 EXECUTIVE shall be entitled to Business Travel Accident Insurance made available to all employees of QUAKER in case of accident while traveling on company business. The principal sum of Accidental Death and Dismemberment Insurance is five (5) times base salary up to a maximum $1,000,000. Apart from this there is a "24 hour Collective Accident/Disability Insurance" that provides coverage for all employees equal to a maximum of three times the yearly income (basic salary plus holiday allowance and 10% bonus). Both policies contain certain exclusions. Luggage of employees traveling abroad (world coverage) is insured to a maximum of € 2269. -- per occasion split up into; Luggage: € 1815. -- with a maximum of 25% = € 454. -- for high value items (camera, jewelry, etc.) and Cash: € 454 in excess of € 45 which is Executive's own risk, -- per occasion. QUAKER pays the premium.

4.2 EXECUTIVE will continue to be eligible to receive Quaker contributions for Health Insurance in accordance with your current agreement. This amount is adjusted annually by German government.

4.3 In case of illness of the wife/life partner of an employee or in case of illness of a single employee with children, QUAKER will contribute 50% of the costs of a professional who will take over the normal care of the family under certain conditions.

5.0 Confidentiality and Non-Compete.

5.1 The duties and nature of the position of EXECUTIVE will necessitate full and detailed access to QUAKER's and its affiliates' strategic, financial, operational and technical information. In view thereof, EXECUTIVE, has agreed to sign the Declaration of Secrecy and Non-Competition, attached hereto as Addendum 1 and made a part hereof.

Termination.

5.2 In the event that QUAKER in its sole discretion and at any time terminates this Agreement with EXECUTIVE (other than for Termination for Cause, death, disability, or normal retirement age), QUAKER agrees to provide EXECUTIVE with reasonable out-placement assistance and a severance payment (contingent upon EXECUTIVE executing a form of release satisfactory to QUAKER) that shall be in accordance with German legal practice but with a minimum of twelve (12) months' base salary calculated at EXECUTIVE's then current rate.

5.3 This Employment Agreement also can be terminated (and thereby terminate EXECUTIVE's employment with QUAKER) at any time and without notice by "Termination for Cause." Termination for Cause means EXECUTIVE's employment with QUAKER shall have been terminated by QUAKER by reason of either:

5.3.1 The willful and continued failure (following written notice/ documentation in writing) by EXECUTIVE to execute his duties under this Employment Agreement; or

5.3.2 The willful engaging by EXECUTIVE in a continued course of misconduct which is materially injurious to QUAKER, monetarily or otherwise.

6.0 Representations and Warranties.

6.1 EXECUTIVE represents and warrants to QUAKER that:

6.1.1 There are no restrictions, agreements, or understandings whatsoever to which EXECUTIVE is a party which would prevent or make unlawful his execution of this Employment Agreement or his employment hereunder; and

6.1.2 His execution of this Employment Agreement and his employment hereunder shall not constitute a breach of any contract agreement, or understanding, oral or written, to which he is a party or by which he is bound.

7.0 Liability

The company maintains a Directors and Officers liability Insurance policy. This policy indemnifies the Director, Officers and managers for any wrongful act as long the associate is acting in the scope of his employment. The limits for this policy are US$ 20,000,000. It does not however, insure for any dishonest act, criminal act, libel or slander or other violations of law.

8.0 Miscellaneous.

8.1 This Employment Agreement together with the Addenda hereto contains all the agreements and understandings between the parties hereto with respect to EXECUTIVE's employment by QUAKER and supersedes all prior or contemporaneous agreements with respect thereto and shall be binding upon and for the benefit of the parties hereto and their respective personal representatives, successors, and assigns. This Employment Agreement with the inclusion of all Addenda hereto, shall be governed by and construed in accordance with the laws of the Netherlands.

Further there will be no changes in employment conditions, all company rules and practices will remain unchanged.

IN WITNESS WHEREOF, QUAKER has caused this Employment Agreement to be signed by its Managing Director, and EXECUTIVE has signed as of the day and year first above written.

Yours sincerely, QUAKER CHEMICAL B.V.	For agreement:
/s/ E. ten Duis	/s/ D. Laininger
E. ten Duis Director Human Resources	D. Laininger Date: June 9, 2011

PROVISIONS TO PROTECT THE COMPANY'S INTERESTS

Inventions

All improvements, modifications, formulations, processes, discoveries or inventions ("Inventions"), whether or not patentable, which were originated, conceived or developed by associate solely or jointly with others (a) during working hours or at the expense of employer or at employer's premises or at a customer's premises or (b) during associate's employment with employer and which relate to (i) the business of employer or (ii) any research, products, processes, devices, or machines under actual or anticipated development or investigation by employer at that time shall be the sole property of employer (or its nominee). Associate shall promptly disclose to employer all Inventions that associate conceives or becomes aware of at any time during associate's employment with employer and shall keep complete, accurate, and authentic notes, data and records of all Inventions and of all work done by associate solely or jointly with others, in the form directed by employer. Associate hereby transfers and assigns to employer (or its nominee) all of associate's right, title, and interest in and to any and all inventions which may be conceived or developed by Associate while employed with employer. Associate shall assist employer at any time and at employer's (or its nominee's) expense in applying, obtaining, and enforcing any European, United States or other Foreign Letters Patent on any such Inventions and to take such other actions as may be necessary or desirable to protect employer's (or its nominee's) interests therein. Upon request, associate shall execute any and all applications, assignments, or other documents which employer deems necessary and desirable for such purposes. Associate has attached hereto a list of unpatented inventions that associate has made or conceived prior to employment with employer, and it is agreed that those inventions shall be excluded from the terms of this Agreement.

Secrecy

The undersigned associate acknowledges that information concerning the method and conduct of the Company's (and any affiliates') 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 affiliates') manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliates, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). Associate agrees that at no time during or following employment with Quaker will Associate use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of Associate's employment with the Company (and/or any affiliate), or at any other time upon the Company's request, Associate agrees to forthwith surrender to the Company (and/or any affiliate, as the case may be) any and all materials in his possession. Trade Secrets do not include information that is in the public domain at no fault of the Associate.

Non-Competition

For a period of twelve (12) months after the termination of associate's employment with the Company (or any affiliate, whichever is the last to occur), associate agrees, regardless of the reason for the termination of employment hereunder, that he will not:

a) 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 chemical specialty 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); and
b) recruit or solicit any Associate of the Company (or any affiliate) or otherwise induce such associate to leave the employ of the Company (or any affiliate, as the case may be) or to become an associate or otherwise associated with his or any firm, corporation, business, or other entity with which the associate is or may become associated.

The undersigned associate forfeits in favour of the Company a penalty payable forthwith of EURO .- for each day of infringement of the above-mentioned prohibition, in lieu of the right of the Company to claim actual damages. The Company may at any time at its own initiative, or at the request of the undersigned Associate, wholly or partly waive the stipulation referred to in this article. As long as the undersigned Associate has not requested the Company to waive the stipulation as referred to in this article, this stipulation shall be deemed between the parties not to harm the associate unreasonably, nor to impede him in a significant way to be employed otherwise than by the Company (or any affiliate).

Yours sincerely, For agreement:
QUAKER CHEMICAL B.V. Date:

/s/ E. ten Duis /s/ Dieter Laininger

E. ten Duis Dieter Laininger
Director Human Resources

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated May 31, 2011, between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the “Company”), and DIETER LAININGER (the “Manager”),

W I T N E S S E T H   T H A T

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 June 15, 2011 (the “Effective Date”), and shall continue in effect through December 31, 2011; provided, however, that the term of this Agreement shall automatically be extended for one additional year beyond December 31, 2011, and successive one-year periods thereafter, unless, not later than seventeen (17) months (five (5) months with respect to the automatic extension that would otherwise begin on January 1, 2012) 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

(b) 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;

(c) 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;

(d) 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

(e) 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.

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.

(f) 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

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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.

3. 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,

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(iii) 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 (1/18th) 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.

4. 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.

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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.

5. <u>Other Payments and Benefits</u>.

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).

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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.

6. 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.

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Confidentiality and Noncompetition.

(d) 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.

(e) 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

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(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).

(f) 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.

(g) 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.

7. 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.

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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.

8. 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

(c) 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.

(d) 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.

9. 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.

10. 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.

11. 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

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(c) of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c).

(d) 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.

12. 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.

13. 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.

14. 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.

15. 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.

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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/ Dieter Laininger

DIETER LAININGER

QUAKER CHEMICAL CORPORATION

By: /s/ Michael F. Barry

Title: Chairman, CEO & President
ATTEST:

/s/ Irene M. Kisleiko
Assistant Secretary

EXHIBIT 31.1

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: July 27, 2011

/s/ Michael F. Barry
Michael F. Barry
Chief Executive Officer

EXHIBIT 31.2

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: July 27, 2011

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

EXHIBIT 32.1

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 June 30, 2011 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: July 27, 2011

/s/ Michael F. Barry

Michael F. Barry
Chief Executive Officer of
Quaker Chemical Corporation

EXHIBIT 32.2

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 June 30, 2011 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: July 27, 2011

/s/ Mark A. Featherstone
Mark A. Featherstone
Chief Financial Officer of
Quaker Chemical Corporation