SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________to____________

Commission file number 0-7154

QUAKER CHEMICAL CORPORATION
(Exact name of Registrant as specified in its charter)

Pennsylvania	23-0993790
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Elm and Lee Streets, Conshohocken, Pennsylvania 19428 - 0809
(Address of principal executive offices) (Zip Code)

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

Not Applicable
Former name, former address and former fiscal year, if changed since last report.

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

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

Number of Shares of Common Stock
Outstanding on October 31, 2001 9,129,080

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Condensed Consolidated Balance Sheet at September 30, 2001 and December 31, 2000

Condensed Consolidated Statement of Income for the Three and Nine Months ended September 30, 2001 and 2000

Condensed Consolidated Statement of Cash Flows for the Nine Months ended September 30, 2001 and 2000

Notes to Condensed Consolidated Financial Statements

* * * * * * * * * *

Quaker Chemical Corporation

Condensed Consolidated Balance Sheet

	Unaudited (dollars in thousands)	
	September 30, 2001	December 31, 2000 *
ASSETS		
Current assets		
Cash and cash equivalents	$ 20,043	$ 16,552
Accounts receivable	52,988	54,401
Inventories		
Raw materials and supplies	9,968	11,872
Work-in-process and finished goods	10,117	10,844
Prepaid expenses and other current assets	9,723	9,512
Total current assets	102,839	103,181
Property, plant and equipment, at cost	96,461	108,034
Less accumulated depreciation	58,774	65,575
Total property, plant and equipment	37,687	42,459
Goodwill and other intangible assets	15,926	18,014
Investments in associated companies	10,615	5,925
Deferred income taxes	9,916	9,914
Other assets	8,313	8,668
	$ 185,296	$ 188,161
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 2,860	$ 2,914
Accounts and other payables	21,480	23,573
Accrued compensation	7,161	11,854
Other current liabilities	16,197	11,859
Total current liabilities	47,698	50,200
Long-term debt	22,225	22,295
Deferred income taxes	3,642	3,633
Other noncurrent liabilities	18,636	18,749
Total liabilities	92,201	94,877
Minority interest in equity of subsidiaries	7,451	8,377
Shareholders' Equity		
Common stock $1 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares	9,664	9,664
Capital in excess of par value	379	746
Retained earnings	107,404	103,760
Unearned compensation	(1,331)	--
Accumulated other comprehensive (loss)	(22,809)	(16,714)
	93,307	97,456
Treasury stock, shares held at cost; 2001-541,214, 2000-812,646	(7,663)	(12,549)
Total shareholders' equity	85,644	84,907
	$ 185,296	$ 188,161

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

* Condensed from audited financial statements.

Quaker Chemical Corporation

Condensed Consolidated Statement of Income

Unaudited
(dollars in thousands, except per share data)

	Three Months ended September 30, 2001	Three Months ended September 30, 2000	Nine Months ended September 30, 2001	Nine Months ended September 30, 2000
Net sales	$ 63,514	$ 68,478	$ 192,802	$ 204,827
Cost of goods sold	38,371	40,349	114,752	119,582
Gross margin	25,143	28,129	78,050	85,245
Selling, general and administrative expenses	19,065	21,731	58,914	65,575
Restructuring and nonrecurring expenses	3,225	-	3,225	27
Operating income	2,853	6,398	15,911	19,643
Other income, net	(469)	885	690	2,252
Interest expense	(427)	(496)	(1,418)	(1,529)
Interest income	222	220	699	641
Income before taxes	2,179	7,007	15,882	21,007
Taxes on income	675	2,172	4,923	6,512
	1,504	4,835	10,959	14,495
Equity in net income of associated companies	244	364	740	1,035
Minority interest in net income of subsidiaries	(632)	(516)	(2,456)	(1,805)
Net income	$ 1,116	$ 4,683	$ 9,243	$ 13,725
Per share data:				
Net income - basic	$ 0.12	$ 0.53	$ 1.02	$ 1.55
Net income - diluted	$ 0.12	$ 0.53	$ 1.02	$ 1.54
Dividends declared	$ 0.205	$ 0.205	$ 0.615	$ 0.595
Based on weighted average number of shares outstanding:				
Basic	9,115,591	8,821,017	9,028,096	8,830,609
Diluted	9,174,754	8,886,501	9,088,547	8,896,199

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

Quaker Chemical Corporation

Condensed Consolidated Statement of Cash Flows
For the Nine Months ended September 30,

	Unaudited (dollars in thousands) 2001	2000
Cash flows from operating activities		
Net income	$ 9,243	$ 13,725
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,549	3,682
Amortization	1,091	1,048
Equity in net income of associated companies	(740)	(1,035)
Minority interest in earnings of subsidiaries	2,456	1,805
Deferred compensation and other postretirement benefits	690	1,354
Restructuring and nonrecurring expenses	3,225	27
Other, net	867	2,094
Increase (decrease) in cash from changes in current assets and current liabilities:		
Accounts receivable, net	(230)	(5,848)
Inventories	1,460	(1,060)
Prepaid expenses and other current assets	(1,540)	(2,352)
Accounts payable and accrued liabilities	(4,093)	3,330
Change in repositioning liabilities	(443)	(308)
Net cash provided by operating activities	15,535	16,462
Cash flows from investing activities		
Investments in property, plant and equipment	(4,980)	(2,988)
Proceeds from sale of business	-	5,200
Payments related to acquisitons	(1,532)	(3,500)
Dividends from associated companies	902	72
Other, net	261	(50)
Net cash (used in) investing activities	(5,349)	(1,266)
Cash flows from financing activities		
Net increase in short-term borrowings	(54)	1,016
Dividends paid	(5,215)	(5,179)
Treasury stock repurchased	-	(1,961)
Treasury stock issued	2,664	377
Distributions to minority shareholders	(2,175)	(1,533)
Other, net	28	49
Net cash (used in) financing activities	(4,752)	(7,231)
Effect of exchange rate changes on cash	(1,943)	(1,350)
Net increase in cash and cash equivalents	3,491	6,615
Cash and cash equivalents at beginning of period	16,552	8,677
Cash and cash equivalents at end of period	$ 20,043	$ 15,292
Noncash investing activities:		
Contribution of property, plant & equipment to real estate joint venture	$ 4,358	$ -

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)
(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 for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Certain prior year amounts have been reclassified to conform to the 2001 presentation. In the opinion of management, the financial statements reflect all adjustments (consisting only of normal recurring adjustments) 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 nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the Annual Report filed on Form 10-K for the year ended December 31, 2000.

Note 2 - Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141 "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets."

SFAS 141 supersedes Accounting Principles Board Opinion No. 16, "Business Combinations." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. In addition, SFAS 141 establishes specific criteria for identifying intangible assets that must be recognized separately from goodwill and establishes disclosure requirements for the primary reasons for a business combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed.

SFAS 142 supersedes APB 17, "Intangible Assets." SFAS 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets. Instead, goodwill and intangible assets with indefinite lives will be tested for impairment on at least an annual basis. The SFAS 142 impairment test begins with an estimate of the fair value of the reporting unit or intangible asset. The Company will adopt SFAS 142 on January 1, 2002. Impairment losses that arise due to the initial application of this statement are to be reported as a change in accounting principle. Management is currently assessing the provisions of this statement to determine their impact on the Company's consolidated results of operations and financial position. Annual goodwill amortization in 2001 is estimated to be $1.0 million.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations (AROs)." This statement requires that an obligation associated with the retirement of a tangible long-lived asset be recorded as a liability when the obligation is incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an ARO, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for financial statements for fiscal years beginning after June 15, 2002. Management is currently assessing the provisions of this statement to determine their impact on the Company's consolidated results of operations and financial position.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses significant issues related to the implementation of SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Assets to be Disposed Of", and develops a single accounting model for long-lived assets to be disposed of by sale. SFAS No. 144 is effective for financial statements for fiscal years beginning after December 31, 2001. Management is currently assessing the provisions of this statement to determine their impact on the Company's consolidated results of operations and financial position.

Note 3 - Weighted Average Shares Outstanding

	Three Months Ended September 30		Nine Months Ended September 30	
	Basic	Diluted	Basic	Diluted
2001	9,115,591	9,174,754	9,028,096	9,088,547
2000	8,821,017	8,886,501	8,830,609	8,896,199

The difference between basic and diluted weighted average shares outstanding results from the assumption that dilutive stock options outstanding were exercised.

Note 4 - Business Segments

The Company's reportable segments are as follows:

(1) Metalworking process chemicals - products used as lubricants for various heavy industrial and manufacturing applications.

(2) Coatings - temporary and permanent coatings for metal products and chemical milling maskants.

(3) Other chemical products - primarily chemicals used in the manufacturing of paper in 2000, as well as other various chemical products.

Segment data includes direct segment costs as well as general operating costs, including depreciation, allocated to each segment based on net sales.

The table below presents information about the reported segments for the nine months ending September 30:

	Metalworking Process Chemicals	Coatings	Other Chemical Products	Total
2001				
Net sales	$174,821	$14,731	$3,250	$192,802
Operating income	37,208	4,159	1,033	42,400
2000				
Net sales	$187,419	$13,189	$4,219	$204,827
Operating income (loss)	43,866	3,297	(659)	46,504

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

A reconciliation of total segment operating income to total consolidated income before taxes, for the nine months ended September 30 is as follows:

	2001	2000
Total operating income for reportable segments	$ 42,400	$ 46,504
Non-operating expenses	(18,624)	(22,104)
Restructuring and nonrecurring expenses	(3,225)	(27)
Depreciation and amortization	(4,640)	(4,730)
Interest expense	(1,418)	(1,529)
Interest income	699	641
Other income, net	690	2,252
Consolidated income before taxes	$ 15,882	$ 21,007

Note 5 - Comprehensive Income

The following table summarizes comprehensive income for the three months ended September 30:

	2001	2000
Net income	$ 1,116	$ 4,683
Unrealized (loss) on available-for-sale securities	(269)	-
Foreign currency translation adjustments	1,397	(3,812)
Comprehensive income	$ 2,244	$ 871

The following table summarizes comprehensive income for the nine months ended September 30:

	2001	2000
Net income	$ 9,243	$ 13,725
Unrealized (loss) on available-for-sale securities	(269)	-
Foreign currency translation adjustments	(5,826)	(7,419)
Comprehensive income	$ 3,148	$ 6,306

Note 6 - Restricted Stock Bonus

As part of the Company's 2001 Global Annual Incentive Plan (Annual Plan), approved by shareholders on May 9, 2001, a restricted stock bonus of 100,000 shares of the Company's stock was granted to an executive of the Company. The shares were issued in April 2001, in accordance with the terms of the Annual Plan, and registered in the executive's name. The shares are subject to forfeiture if the Company fails to achieve a target level of earnings per share for the year 2001, and will vest over a four year period, subject to the executive's continued employment by the Company.

Note 7 - Restructuring and Nonrecurring Expenses

In the fourth quarter of 1998, the Company announced and implemented a repositioning and integration plan to better align its organizational structure with market demands, improve operational performance and reduce costs.

The components of the 1998 pre-tax repositioning and integration charge included severance and other benefit costs, and early pension and other postretirement benefits. The liabilities for early pension and other postretirement benefits are included in the Company's pension and postretirement benefits obligations.

The repositioning accrual had a balance of $244 at December 31, 2000. That liability was paid in the first quarter of 2001.

In the third quarter of 2001, the Company incurred restructuring charges of approximately $3.0 million, including $1.9 million related to plans to close its manufacturing facility in the U.K. and to sell its manufacturing facility in France, $0.7 million related to severance of 16 employees and $0.4 million related to acquisitions that were not completed.

The components of pre-tax charges incurred in the third quarter of 2001, as well as the balance remaining at September 30, 2001 were as follows:

2001 restructuring charges	$ 2,958
Payments in 2001	(199)
Remaining liability at September 30, 2001	$ 2,759

Additionally, in the third quarter of 2001, the Company recorded nonrecurring organizational consulting expenses of approximately $0.2 million, as well as an additional reserve for doubtful accounts of $0.5 million related to the poor financial condition of certain U.S. customers, which is included in selling, general and administrative expenses.

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

Liquidity and Capital Resources

Net cash flows provided by operating activities were $15.5 million in the first nine months of 2001 compared to cash flows provided by operating activities of $16.5 million in the same period of 2000. The decrease was primarily due to the timing of payments related to certain year-end 2000 accrued expenses, as well as a decrease in the change in accounts payable, partially offset by a decrease in the change in net accounts receivable.

Net cash flows used in investing activities were $5.3 million in the first nine months of 2001 compared to net cash flows used in investing activities of $1.3 million in the same period of 2000. The increase was primarily related to the acquisition from the Company's Canadian licensee of rights to market to, sell to, and service certain Canadian customers, compared with proceeds from the sale of the Company's pulp and paper business in 2000.

Expenditures for property, plant, and equipment totaled $5.0 million in the first nine months of 2001 compared to $3.0 million in the same period of 2000. The increase in capital expenditures is primarily related to the implementation of a global transaction system. In January 2001, the Company contributed the entire Conshohocken site, the location of its corporate headquarters, to an unconsolidated real estate partnership.

Net cash flows used in financing activities were $4.8 million for the first nine months of 2001 compared with net cash flows used in financing activities of $7.2 million for the same period of the prior year. The net change was primarily due to approximately $2.7 million of proceeds from shares issued upon exercise of stock options and $2.1 million distributed to minority shareholders in 2001, versus payments in 2000 of approximately $2.0 million to purchase shares of stock under the Company's stock repurchase program, and $1.5 million distributed to minority shareholders, offset by short-term borrowings of $1.0 million.

Operations

Comparison of Nine Months 2001 with Nine Months 2000

Consolidated net sales for the first nine months of 2001 were $192.8 million, a six percent decrease compared to the first nine months of 2000. The sales comparison was negatively impacted by a decline in U.S sales due to a softening U.S. economy, as well as unfavorable foreign currency translations and the divestiture of the U.S. pulp and paper business in May 2000. Without the impacts of the stronger dollar and excluding the net sales of the U.S. pulp and paper business during the relevant period, consolidated net sales would have been flat compared to 2000.

Cost of sales increased as a percentage of sales from 58.4 percent in 2000 to 59.5 percent in 2001 primarily as a result of increases in raw material and freight costs, product mix changes, and lower sales which resulted in higher fixed manufacturing costs as a percentage of sales.

Overall selling, general and administrative expenses were approximately 10 percent lower in the first nine months of 2001 compared to the same period in 2000. This was primarily due to continued cost containment efforts, the divestiture of the U.S. pulp and paper business in 2000, as well as positive foreign exchange impacts. In addition, the Company recorded an additional reserve for doubtful accounts of $0.5 million related to the poor financial condition of certain U.S. customers.

In the third quarter of 2001, the Company recorded restructuring and nonrecurring charges totaling $3.2 million on a pre-tax basis. These charges consist of restructuring charges of $3.0 million, primarily related to plans to close its manufacturing facility in the U.K. and to sell its manufacturing facility in France, as well as other cost reduction efforts. Nonrecurring organizational consulting expenses of $0.2 million were also incurred. The Company continues to explore ways to reduce its manufacturing, operating, and administrative expenses to maintain and increase earnings in a challenging business environment, and expects total restructuring and nonrecurring expenses for 2001 to be approximately $6.0 million.

Operating income was $15.9 million for the first nine months of 2001 compared to $21.0 million in the first nine months of 2000. Excluding restructuring and nonrecurring charges and accounts receivable reserve totaling $3.7 million, operating income in the first nine months of 2001 would have been essentially flat compared to the prior year.

Other income variance primarily reflects lower license revenue in 2001, as well as foreign exchange losses in 2001 versus foreign exchange gains in 2000. Net interest expense is more favorable in 2001 compared to the prior year due to lower borrowing rates in 2001. Equity income is lower in 2001 compared to 2000 primarily as a result of weaker performance by the joint venture in Mexico. Minority interest was significantly higher in the first nine months of 2001 compared with the same period last year, primarily due to higher net income from the joint ventures in China and Australia, and the results from a new joint venture in the United States.

The effective tax rate for 2001 is currently 31%, which is consistent with the prior year. The Company has been assessed approximately $2 million of additional taxes based on an audit of certain of its subsidiaries for prior years. The Company has initiated an appeal process related to this assessment and currently believes its reserves are adequate.

Net income was $9.2 million in the first nine months of 2001 compared to $13.7 million in the first nine months of 2000. Excluding restructuring and nonrecurring charges and accounts receivable reserve totaling $3.7 million pre-tax, net income would have been $11.8 million in the first nine months of 2001 compared to $13.7 million in the first nine months of 2000.

Diluted earnings per share was $1.02 in the first nine months of 2001 compared to $1.54 in the first nine months of 2000. Excluding restructuring and nonrecurring charges and accounts receivable reserve totaling $3.7 million pre-tax, or $0.28 per share, diluted earnings per share would have been $1.30 in the first nine months of 2001 compared to $1.54 in the first nine months of 2000.

Comparison of Third Quarter 2001 with Third Quarter 2000

Consolidated net sales for the third quarter of 2001 were $63.5 million, a seven percent decrease compared to the third quarter of 2000. The sales comparison was negatively impacted due to a softening global economy, as well as unfavorable foreign currency translations. Excluding the impact of the stronger dollar, consolidated net sales would have declined three percent.

Cost of sales as a percentage of sales increased 1.5 percent in the third quarter of 2001 compared to the third quarter of 2000. This increase is primarily due to slightly higher raw material costs as well as product and service mix changes. Overall selling, general and administrative expenses decreased approximately 12 percent in the third quarter of 2001 compared to the same period in 2000, and as a percentage of sales declined from 32 percent to 30 percent. This was primarily due to continued cost containment efforts, as well as favorable foreign exchange impacts. In addition, the Company recorded an additional reserve for doubtful accounts of $0.5 million related to the poor financial condition of certain U.S. customers.

In the third quarter of 2001, the Company recorded restructuring and nonrecurring expenses totaling $3.2 million on a pre-tax basis. These charges consist of restructuring charges of $3.0 million, primarily related to plans to close its manufacturing facility in the U.K. and to sell its manufacturing facility in France, as well as other cost reduction efforts. Nonrecurring organizational consulting expenses of $0.2 million were also incurred. The Company continues to explore ways to reduce its manufacturing, operating, and administrative expenses to maintain and increase earnings in a challenging business environment. Excluding restructuring and nonrecurring expenses, operating income as a percentage of sales was 9.6 percent in the third quarter of 2001 compared to 9.3 percent in the same period of 2000.

Operating income was $2.9 million for the third quarter of 2001 compared to $6.4 million in the third quarter of 2000. Excluding restructuring and nonrecurring charges and accounts receivable reserve totaling $3.7 million, operating income in the third quarter of 2001 would have exceeded the prior year.

Other income variance primarily reflects foreign exchange losses in 2001 versus foreign exchange gains in 2000. Net interest expense is more favorable in 2001 compared to the prior year due to lower borrowing rates in 2001. Equity income is lower in 2001 compared to 2000 primarily as a result of weaker performance by the joint venture in Mexico. Minority interest was higher in the third quarter of 2001 compared with the same period last year, primarily due to the results of a new joint venture in the United States, as higher net income from the joint venture in China was offset by declines in Brazil.

The effective tax rate for 2001 is currently 31%, which is consistent with the prior year.

Net income was $1.1 million in the third quarter of 2001 compared to $4.7 million in the third quarter of 2000. Excluding restructuring and nonrecurring charges and accounts receivable reserve totaling $3.7 million pre-tax, net income would have been $3.7 million in the third quarter 2001 compared to $4.7 million in the third quarter 2000.

Diluted earnings per share was $0.12 in the third quarter of 2001 compared to $0.53 in the third quarter of 2000. Excluding restructuring and nonrecurring charges and accounts receivable reserve totaling $3.7 million pre-tax, or $0.28 per share, diluted earnings per share would have been $0.40 in the third quarter of 2001 compared to $0.53 in the third quarter of 2000.

Other Significant Items

On March 30, 2001, the Company acquired from its Canadian licensee, H. L. Blachford, Ltd., rights to market to, sell to, and service all Canadian integrated steel makers and certain accounts in the Canadian metalworking market. The purchase price totaling approximately $1.4 million, together with a five-year earn-out provision of five percent on net sales to certain accounts purchased, resulted in intangible assets of $1.4 million, which are being amortized over their expected useful lives of up to 20 years.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and one common currency - the euro. The euro trades on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and coins will be issued, and legacy currencies will be withdrawn from circulation. The Company's operating subsidiaries affected by the euro conversion have established plans to address the systems and business issues raised by the euro currency. The Company anticipates that the euro conversion will not have a material adverse impact on its financial condition or results of operations.

Forward-Looking and Cautionary Statements

Except for historical information and discussions, statements contained in this Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those projected in such statements.

Such risks and uncertainties include, but are not limited to, significant increases in raw material costs, worldwide economic and political conditions (which could be impacted by future terrorist attacks such as those that occurred on September 11th), and foreign currency fluctuations that may affect worldwide results of operations. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance or durable goods manufacturers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. Most of Quaker's long-term debt has a fixed interest rate, while its short-term debt is negotiated at market rates which can be either fixed or variable. Incorporated by reference is the information in "Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 8 of the Notes to Consolidated Financial Statements on pages 7 and 24, respectively, of the Registrant's 2000 Annual Report filed on Form 10-K. Accordingly, if interest rates rise significantly, the cost of short-term debt to Quaker will increase. This can have a material adverse effect on Quaker depending on the extent of Quaker's short-term borrowings. As of September 30, 2001, Quaker had no short-term borrowings.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its foreign subsidiaries. Incorporated by reference is the information concerning Quaker's non-U.S. activities appearing in Note 11 of the Notes to Consolidated Financial Statements on pages 27 through 29 of the Registrant's 2000 Annual Report filed on Form 10-K. All such subsidiaries use the local currency as their functional currency. Accordingly, Quaker's financial results are affected by risks typical of international business such as currency fluctuations, particularly between the U.S. dollar, the Brazilian real and the E.U. euro. As exchange rates vary, Quaker's results can be materially adversely affected.

In the past, Quaker has used, on a limited basis, forward exchange contracts to hedge foreign currency transactions and foreign exchange options to reduce exposure to changes in foreign exchange rates. The amount of any gain or loss on these derivative financial instruments was immaterial. Quaker is not currently a party to any derivative financial instruments. Therefore, adoption of SFAS No. 133, as amended by SFAS No. 138, did not have a material impact on Quaker's operating results or financial position as of September 30, 2001. Incorporated by reference is the information concerning Quaker's Significant Accounting Policies appearing in Note 1 of the Notes to Consolidated Financial Statements on page 17 of the Registrant's 2000 Annual Report filed on Form 10-K.

Commodity Price Risk. Many of the raw materials used by Quaker are commodity chemicals, and, therefore, Quaker's earnings can be materially adversely affected by market changes in raw material prices. In certain cases, Quaker has entered into fixed-price purchase contracts having a term of up to one year. These contracts provide for protection to Quaker if the price for the contracted raw materials rises, however, in certain limited circumstances, Quaker will not realize the benefit if such prices decline. Quaker has not been, nor is it currently a party to, any derivative financial instrument relative to commodities.

PART II. OTHER INFORMATION

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

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.
None

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

* * * * * * * * *

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/ Michael F. Barry
Michael F. Barry, officer duly
authorized to sign this report,
Vice President and Chief Financial Officer

Date: November 13, 2001