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 September 30, 2004

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 **(State or other jurisdiction of incorporation or organization)**	**23-0993790** **(I.R.S. Employer Identification No.)**
One Quaker Park, 901 Hector Street, Conshohocken, Pennsylvania **(Address of principal executive offices)**	**19428 – 0809** **(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 is an accelerated filer (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 October 31, 2004	**9,661,435**

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

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Item 1. Financial Statements

Quaker Chemical Corporation

Condensed Consolidated Balance Sheet

	Unaudited (Dollars in thousands, except par value and share amounts)	
	September 30, 2004	**December 31, 2003***
ASSETS		
Current assets		
Cash and cash equivalents	$ 29,948	$ 21,915
Accounts receivable, net	85,098	78,121
Inventories		
Raw materials and supplies	17,437	14,691
Work-in-process and finished goods	20,111	17,520
Prepaid expenses and other current assets	15,332	11,277
Total current assets	167,926	143,524
Property, plant and equipment, at cost	141,610	136,448
Less accumulated depreciation	79,399	74,057
Net property, plant and equipment	62,211	62,391
Goodwill	33,495	33,301
Other intangible assets, net	8,736	9,616
Investments in associated companies	6,123	6,005
Deferred income taxes	12,852	12,846
Other assets	19,841	19,664
Total assets	$ 311,184	$ 287,347
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 58,611	$ 42,992
Accounts and other payables	41,576	41,259
Accrued compensation	7,724	6,816
Other current liabilities	14,725	14,738
Total current liabilities	122,636	105,805
Long-term debt	17,966	15,827
Deferred income taxes	2,861	2,688
Other non-current liabilities	42,241	40,967
Total liabilities	185,704	165,287
Minority interest in equity of subsidiaries	11,976	9,708
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	2,486	2,181
Retained earnings	118,390	117,308
Unearned compensation	(421)	(621)
Accumulated other comprehensive (loss)	(16,491)	(15,406)
	113,628	113,126
Treasury stock, shares held at cost; 2004 – 4,518, 2003 – 54,178	(124)	(774)
Total shareholders' equity	113,504	112,352
Total liabilities and shareholders' equity	$ 311,184	$ 287,347

* 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 data)			
	Three Months ended September 30,		Nine Months ended September 30,	
	2004	2003	2004	2003
Net sales	$ 99,667	$ 89,713	$ 296,481	$ 246,503
Cost of goods sold	67,976	58,928	199,791	158,405
Gross margin	31,691	30,785	96,690	88,098
Selling, general and administrative expenses	29,249	24,459	83,056	70,367
Operating income	2,442	6,326	13,634	17,731
Other income, net	422	295	1,189	830
Interest expense	(635)	(407)	(1,652)	(1,145)
Interest income	333	167	686	531
Income before taxes	2,562	6,381	13,857	17,947
Taxes on income	807	1,683	4,365	5,384
	1,755	4,698	9,492	12,563
Equity in net income of associated companies	264	215	599	470
Minority interest in net income of subsidiaries	(865)	(777)	(2,781)	(2,315)
Net income	$ 1,154	$ 4,136	$ 7,310	$ 10,718
Per share data:				
Net income – basic	$ 0.12	$ 0.44	$ 0.76	$ 1.15
Net income – diluted	$ 0.12	$ 0.42	$ 0.73	$ 1.11
Dividends declared	$ 0.215	$ 0.21	$ 0.645	$ 0.63
Based on weighted average number of shares outstanding:				
Basic	9,621,746	9,410,675	9,598,928	9,335,628
Diluted	9,973,920	9,856,783	9,978,583	9,687,346

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 Nine Months Ended September 30, 2004	2003
Cash flows from operating activities		
Net income	$ 7,310	$ 10,718
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,272	5,246
Amortization	863	620
Equity in net income of associated companies	(599)	(470)
Minority interest in earnings of subsidiaries	2,781	2,315
Deferred compensation and other, net	1,003	1,002
Pension and other postretirement benefits	653	2,250
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:		
Accounts receivable	(7,315)	(14,460)
Inventories	(5,390)	(4,362)
Prepaid expenses and other current assets	(4,059)	1,587
Accounts payable and accrued liabilities	1,796	(2,235)
Change in restructuring liabilities	(480)	(908)
Net cash provided by operating activities	2,835	1,303
Cash flows from investing activities		
Investments in property, plant and equipment	(6,810)	(7,820)
Dividends and distributions from associated companies	288	3,890
Payments related to acquisitions	—	(6,737)
Other, net	38	(117)
Net cash (used in) investing activities	(6,484)	(10,784)
Cash flows from financing activities		
Net increase in short-term borrowings	15,616	16,686
Proceeds from long-term debt	2,463	—
Repayment of long-term debt	(299)	—
Dividends paid	(6,170)	(5,909)
Stock options exercised, other	818	3,106
Distributions to minority shareholders	(245)	(1,018)
Net cash provided by financing activities	12,183	12,865
Effect of exchange rate changes on cash	(501)	740
Net increase in cash and cash equivalents	8,033	4,124
Cash and cash equivalents at beginning of period	21,915	13,857
Cash and cash equivalents at end of period	$ 29,948	$ 17,981

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 accounting principles generally accepted in the United States of America 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 have been condensed or omitted pursuant to such rules and regulations. Certain prior year amounts have been reclassified to conform to the 2004 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, 2004 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, 2003.

As part of the Company's chemical management services (CMS), certain third party product sales to customers are managed by the Company. Where the Company acts as a principal, revenues are recognized on a gross reporting basis at the selling price negotiated with customers. Where the Company acts as an 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 $26,593 and $19,834 for the nine months ended September 30, 2004 and 2003, respectively.

Note 2 – Recently Issued Accounting Standards

On December 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a Federal subsidy to companies which sponsor retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 20, 2004 the FASB issued FSP No. FAS 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. This FSP provides guidance on the accounting for the effects of the new Medicare prescription drug benefit under Medicare Part D. The provisions of the FSP are effective for the first interim or annual period beginning after June 15, 2004. For the Company, the provisions were effective for the third quarter of 2004 beginning on July 1, 2004. The adoption of FSP No. FAS 106-2 did not have a material effect on the Company's financial position, results of operations, or cash flows.

On October 22, 2004, President Bush signed the American Jobs Creation Act of 2004 (the "Act (2)") into law. The Act (2) includes provisions that may affect the Company's accounting for income taxes including a possible increase in its effective tax rate and changes in its deferred tax assets and liabilities. The Company is still assessing the impact of the Act (2).

Note 3 – Stock-Based Compensation

In December 2002, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This standard amends the transition and disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 148, the Company continues to account for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for stock options since all options granted had an exercise price equal to the market value of the underlying stock on the grant date. The following tables illustrate the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

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

	Three Months ended September 30,		Nine Months ended September 30,	
	2004	2003	2004	2003
Net Income – as reported	$ 1,154	$ 4,136	$7,310	$10,718
Add: Stock-based employee compensation expense included in net income, net of related tax effects	164	194	266	347
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	(341)	(368)	(673)	(703)
Pro forma net income	$ 977	$ 3,962	$6,903	$10,362
Earnings per share:				
Basic – as reported	$ 0.12	$ 0.44	$ 0.76	$ 1.15
Basic – pro forma	$ 0.10	$ 0.42	$ 0.72	$ 1.11
Diluted – as reported	$ 0.12	$ 0.42	$ 0.73	$ 1.11
Diluted – pro forma	$ 0.10	$ 0.40	$ 0.69	$ 1.07

Note 4 – Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Numerator for basic EPS and diluted EPS– net income	$ 1,154	$ 4,136	$7,310	$10,718
Denominator for basic EPS–weighted average shares	9,622	9,411	9,599	9,336
Effect of dilutive securities, primarily employee stock options	352	446	380	351
Denominator for diluted EPS–weighted average shares	9,974	9,857	9,979	9,687
Basic EPS	$ 0.12	$ 0.44	$ 0.76	$ 1.15
Diluted EPS	$ 0.12	$ 0.42	$ 0.73	$ 1.11

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

Note 5 – Business Segments

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 September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Metalworking Process Chemicals				
Net Sales	$ 91,721	$ 82,490	$ 274,352	$ 225,464
Operating Income	12,914	13,444	41,324	39,195
Coatings				
Net Sales	6,768	6,222	18,675	17,787
Operating Income	1,912	1,694	5,175	4,710
Other Chemical Products				
Net Sales	1,178	1,001	3,454	3,252
Operating Income	209	94	614	532
Total				
Net Sales	99,667	89,713	296,481	246,503
Operating Income	15,035	15,232	47,113	44,437
Non-operating expenses	(12,305)	(8,724)	(32,616)	(26,086)
Amortization	(288)	(182)	(863)	(620)
Interest expense	(635)	(407)	(1,652)	(1,145)
Interest income	333	167	686	531
Other income, net	422	295	1,189	830
Consolidated income before taxes	$ 2,562	$ 6,381	$ 13,857	$ 17,947

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 associates.

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

Note 6 – Comprehensive Income

The following table summarizes comprehensive income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income	$ 1,154	$ 4,136	$ 7,310	$10,718
Unrealized gain on available-for-sale securities	(28)	197	38	197
Foreign currency translation adjustments	2,327	1,195	(1,123)	7,863
Comprehensive income	$ 3,453	$ 5,528	$ 6,225	$18,778

Note 7 – Restructuring and Related Activities

In 2001, Quaker's management approved restructuring plans to realign the organization and reduce operating costs (2001 program). Quaker's restructuring plans included the decision to close and sell manufacturing facilities in the U.K. and France. In addition, Quaker consolidated certain functions within its global business units and reduced administrative functions, as well as expensed costs related to abandoned acquisitions. Included in the restructuring charges were provisions for severance of 53 employees. Restructuring and related charges of $5,854 were recognized in 2001. The charge comprised $2,807 related to employee separations, $2,450 related to facility rationalization charges, and $597 related to abandoned acquisitions. Employee separation benefits varied depending on local regulations within certain foreign countries and included severance and other benefits. As of September 30, 2004, Quaker had completed 52 of the planned 53 employee separations under the 2001 plan.

In 2003, Quaker's management approved restructuring plans to further realign the organization (2003 program). Included in the 2003 restructuring charge are provisions for severance for 9 employees totaling $273.

Quaker expects to substantially complete the initiatives contemplated under the restructuring plans, including the sale of its former manufacturing facility in France during 2005.

Accrued restructuring balances, included in other current liabilities and assigned to the Metalworking process chemicals segment, are as follows:

	Employee Separations	Facility Rationalization	Total
2001 Program:			
December 31, 2003 ending balance	$ 450	$ 525	$ 975
Payments	(237)	(100)	(337)
Currency translation and other	16	29	45
September 30, 2004 ending balance	229	454	683
2003 Program:			
December 31, 2003 ending balance	228	—	228
Payments	(143)	—	(143)
Currency translation and other	3	—	3
September, 2004 ending balance	88	—	88
Total restructuring September 30, 2004 ending balance	$ 317	$ 454	$ 771

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

Note 8 – Goodwill and Other Intangible Assets

The Company completed its annual impairment assessment as of the end of the third quarter 2004 and no impairment change was warranted. The changes in carrying amount of goodwill for the nine months ended September 30, 2004 are as follows:

	Metalworking process chemicals	Coatings	Total
Balance as of December 31, 2003	$ 26,032	$ 7,269	$33,301
Goodwill additions	240	—	240
Currency translation adjustments	(46)	—	(46)
Balance as of September 30, 2004	$ 26,226	$ 7,269	$33,495

Gross carrying amounts and accumulated amortization for definite-lived intangible assets as of September 30, 2004 and December 31, 2003 are as follows:

	Gross Carrying Amount		Accumulated Amortization	
	2004	2003	2004	2003
Amortized intangible assets				
Customer lists and rights to sell	$ 6,168	$ 6,181	$1,323	$ 865
Trademarks and patents	1,788	1,786	1,637	1,584
Formulations and product technology	3,278	3,276	735	435
Other	1,949	1,959	1,352	1,302
Total	$13,183	$13,202	$5,047	$4,186

The Company recorded $863 and $620 of amortization expense in the first nine months of 2004 and 2003, respectively. Estimated annual aggregate amortization expense for the current year and subsequent five years is as follows:

For the year ended December 31, 2004	$1,163
For the year ended December 31, 2005	$1,130
For the year ended December 31, 2006	$1,117
For the year ended December 31, 2007	$ 709
For the year ended December 31, 2008	$ 618
For the year ended December 31, 2009	$ 608

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

Note 9 – Debt

In April 2004, the Company entered into a $10,000 uncommitted demand credit facility with a bank. At the Company's option, the interest rate for borrowings under this agreement may be based on the prime rate less a margin or a LIBOR rate plus a margin.

In June 2004, the Company amended one of its committed credit facilities which was set to expire in June 2004. The amendment increased the facility from $15,000 to $25,000 and extended the expiry date to June 2005.

The above actions brought the Company's credit lines to a total of $70,000, $40,000 committed and $30,000 uncommitted. At September 30, 2004, the Company had approximately $55,000 outstanding on its credit lines.

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

Note 10 – Pension and Other Postretirement Benefits

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Postretirement Benefits	
	2004	2003	2004	2003	2004	2003	2004	2003
Service Cost	$ 979	$ 917	$ 9	$ 11	$ 2,717	$ 2,335	$ 28	$ 27
Interest cost and other	1,502	1,439	141	179	4,043	3,662	450	428
Expected return on plan assets	(1,303)	(1,201)	—	—	(3,530)	(3,055)	—	—
Other amortization, net	319	256	—	—	843	653	—	—
Net periodic benefit cost	$ 1,497	$ 1,411	$ 150	$ 190	$ 4,073	$ 3,595	$ 478	$ 455

Employer Contributions:

The Company previously disclosed in its financial statements for the year ended December 31, 2003 that it expected to make minimum cash contributions of $1,483 to its U.S. pension plan and $1,061 to its other postretirement benefit plan in 2004. As of September 30, 2004, $1,242 and $679 of contributions have been made, respectively.

Note 11 – Commitments and Contingencies

The Company is involved in environmental clean-up activities and litigation in connection with an existing plant location and former waste disposal sites operated by unaffiliated third parties. In April of 1992, the Company identified certain soil and groundwater contamination at AC Products, Inc. (“ACP”), a wholly owned subsidiary. Voluntarily in coordination with the Santa Ana California Regional Water Quality Board, ACP is remediating the contamination. The Company believes that the remaining potential-known liabilities associated with these matters ranges from approximately $900 to $1,500, for which the Company has sufficient reserves. Notwithstanding the foregoing, the Company cannot be certain that liabilities in the form of remediation expenses and damages will not be incurred in excess of the amount reserved.

Additionally, although there can be no assurance regarding the outcome of other environmental matters, the Company believes that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately $168 and $188 was accrued at September 30, 2004 and December 31, 2003, 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 its existing insurance policies. 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 $10,000 (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 have been handled to date by the subsidiary’s primary and excess insurers who agreed 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 is challenging the applicability of these limits to the claims being brought against the subsidiary. The subsidiary has additional coverage under its excess policies. The Company believes, however, that if the coverage issues under the primary policies are resolved adversely to the subsidiary, the subsidiary’s insurance coverage will likely be exhausted within the next three to four years. As a result, liabilities in respect of claims not yet asserted may exceed coverage available to the subsidiary.

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

If the subsidiary's 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 that the inactive subsidiary's liabilities will not have a material impact on the Company's financial condition, cash flows or results of operations.

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 worldwide developer, producer, and marketer of chemical specialty products and a provider of chemical management services for various heavy industrial and manufacturing applications around the globe, with significant sales to the steel and automotive industries. The Company's strategies and initiatives flow from three business imperatives: (1) sell customer solutions - value - not just fluids, (2) operate as a globally integrated whole, and (3) harness the power of our global knowledge and learning. Success factors critical to the Company's business include successfully differentiating the Company from its competition, operating efficiently as a globally integrated whole, and increasing market share, customer penetration and profitability through internally developed programs and strategic acquisitions.

The Company operates in mature businesses, which are driven by demand for consumer durables and are, therefore, subject to the vulnerabilities of a cyclical economy. The Company experienced significant revenue growth in the third quarter of 2004 versus the third quarter of 2003, driven by acquisitions, base business growth and favorable foreign exchange. The base business increase in revenue for the quarter was attributable to growth in the North and South American markets, tempered by lower sales in Europe. Spot prices for steel have recently declined from near record levels, indicating possible softening steel demand in some markets.

While revenues were higher during the third quarter, gross margin as a percentage of net sales declined as price increases implemented by the Company were more than offset by the continued escalation of raw material prices, particularly crude oil. In addition, the Company experienced volatility in other important raw material markets, such as vegetable oils and animal fats. The size and speed of raw material cost increases accelerated considerably during the third quarter. The Company is continuing to work with customers to implement pricing actions that would mitigate these increasing raw material costs. In addition, higher costs related to strategic business initiatives and a range of administrative costs also contributed to the shortfall in earnings for the third quarter compared to the prior year.

While the Company's new chemical management services ("CMS") contracts made a profit contribution in the third quarter of 2004 and we saw positive trends regarding product conversions, the Company is behind in its expectations for both product conversions and product usage reductions. Ultimately, the profitability of this new business is dependent on the Company's ability to identify and implement cost reduction programs and to achieve product conversions.

The increase in raw material cost and administrative costs were largely responsible for the shortfall in earnings for the quarter compared to the prior year. The Company does not anticipate raw material cost relief for the remainder of 2004. While the Company expects the fourth quarter to be better than the third quarter, we have concluded that quarter-to-quarter financial results cannot be forecasted with current raw material behavior.

Looking forward, the Company is convinced it is on the right strategic track. Long-term, the Company is building its position in growth areas such as China and investing in new business development. The Company further believes that CMS will be an increasingly significant contributor to earnings.

Liquidity and Capital Resources

Quaker's cash and cash equivalents increased to $29.9 million at September 30, 2004 from $21.9 million at December 31, 2003. The increase resulted primarily from $2.8 million provided by operating activities and $12.2 million cash provided by financing activities, less $6.5 million cash used in investing activities.

Net cash flows provided by operating activities were $2.8 million in the first nine months of 2004 compared to $1.3 million in the same period of 2003. The Company's lower net income was offset by higher depreciation, amortization and by significant movements in the Company's working capital accounts. The higher depreciation was caused by the Company's global ERP implementation. The increase in amortization expense is due to the Company's 2003 acquisitions. Accounts receivable in 2004 has had less of an impact on operating cash flow, reflective of the initial working capital investment associated with the Company's new CMS contracts, which began in the second quarter of 2003. In addition, in 2004 the Company entered into additional CMS contracts, which have impacted our working capital accounts. The increase in inventory is attributable to higher business levels, particularly in the South American markets, the additional CMS contracts in the U.S. and higher raw material costs. The change in prepaid expenses and other current assets reflects the timing of prepaid insurance, pension and tax payments in 2004 versus a $2.6 million tax settlement in 2003. The change in cash flows from accounts payable and accrued liabilities was largely due to lower incentive compensation payments made in 2004 versus 2003 as well as the reduction in incentive compensation accruals in the prior year.

Net cash flows used in investing activities were $6.5 million in the first nine months of 2004 compared to $10.8 million in the same period of 2003. The decreased use of cash from the prior period was caused by payments related to the Company's KS Chemie and Eural acquisitions in 2003 and higher priority distributions received from the Company's real estate joint venture in 2003. In the first nine months of 2004 capital expenditures were $6.8 million. Major projects included the Company's U.S. lab renovation, global ERP implementation, and capital expansion related to the Vulcan acquisition. The capital expansion project related to the Vulcan acquisition is complete and has allowed the Company to move essentially all of the production from Vulcan to other facilities and to save on external manufacturing costs. Also, capital expenditures related to the ERP implementation is expected to be considerably less in 2004 than over the past few years. The Company is near completion on the U.S. lab renovation. Overall, the Company is expecting total 2004 capital expenditures to be slightly under $10.0 million, which would be a 20% reduction from the 2003 capital expenditure levels.

Net cash flows provided by financing activities were $12.2 million for the first nine months of 2004 compared to $12.9 million for the same period in the prior year. The net change was primarily due to increased short-term and long-term borrowings incurred in the first nine months of 2004 used to finance the Company's continued working capital needs offset by lower cash received for stock option activity.

In April 2004, the Company entered into a $10.0 million uncommitted demand credit facility with a bank. At the Company's option, the interest rate for borrowings under this agreement may be based on the prime rate less a margin or a LIBOR rate plus a margin. In June 2004, the Company amended one of its committed credit facilities which was set to expire in June 2004. The amendment increased the facility from $15.0 million to $25.0 million and extended the expiry date to June 2005. These actions brought the Company's credit lines to a total of $70.0 million, $40.0 committed and $30.0 uncommitted. At September 30, 2004 the Company had approximately $55.0 million outstanding on its credit lines.

The Company continues to have significant cash balances in many of its consolidated foreign entities. The Company periodically remits this cash to the U.S. when it is advantageous from a tax perspective. The Company believes that its balance sheet remains strong with a net debt-to-total capital ratio of 29% at September 30, 2004 compared to 25% at the end of 2003. The Company further believes it is capable of supporting its operating requirements, including pension plan contributions, payment of dividends to shareholders, possible acquisition and business opportunities, capital expenditures and possible resolution of contingencies, through internally generated funds supplemented with debt as needed.

Operations

Comparison of the First Nine Months 2004 with First Nine Months of 2003

Net sales for the first nine months of the year increased to $296.5 million, up 20% from $246.5 million for the first nine months of 2003. Foreign exchange rate translation, the Company's 2003 acquisitions, and the Company's new CMS contracts favorably impacted net sales by $10.8 million, $15.1 million and $17.1 million, respectively. The remaining net sales increase of approximately 3% was attributable to growth in the Asia/Pacific and North and South American Regions, partially offset by lower sales in Europe.

During 2003, the Company began a new approach to its Chemical Management Services (CMS) business in order to further the Company's strategic imperative to sell customer solutions - value - not just fluids. Under the Company's traditional CMS approach, the Company effectively acts as an agent whereby it purchases chemicals from other companies and resells the product to the customer at little or no margin and earns a set management fee for providing this service. Therefore, the profit earned on the management fee is relatively secure as the entire cost of the products is passed on to the customer. The new approach to CMS is dramatically different. The Company is not simply a purchasing agent but actually manages the application and use of chemicals at the customers' sites. The Company receives a set management fee and the costs that relate to those management fees are largely connected to how well the Company controls product costs and achieves product conversions from other third party suppliers to its own products. With this new approach comes new risks and opportunities, as the profit earned from the management fee is subject to movements in product costs as well as the Company's own performance. The Company believes this new approach is a way for Quaker to become an integral part of our customers' operational efforts to improve manufacturing costs and to demonstrate value that the Company would not be able to demonstrate as purely a product provider.

With this new approach, the Company was awarded a series of multi-year CMS contracts at General Motors Powertrain and Daimler Chrysler manufacturing sites in 2003. This business was an important step in building the Company's share and leadership position in the automotive process fluids market and should position the Company well for penetration of CMS opportunities in other metalworking manufacturing sites. This new approach has also had a dramatic impact on the Company's revenue and margins. Under the traditional CMS approach, where the Company effectively acts as an agent, the revenue and costs from these sales are reported on a net sales or "pass-through" basis. As discussed above, the structure of the new CMS approach is different 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. As a result, the Company recognizes in reported revenues 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. There are two critical success factors for this new approach. First, is to create savings for a customer based on our ability to help apply the product better and improve the customer's own processes. Second, is to convert more of the product being used to Quaker product rather than a competitor's product. During 2004, particularly in the second and third quarter, the Company made considerable progress in product conversions, but overall performance still lags behind expectations.

The new CMS contracts resulted in an increase in the Company's reported revenue for the first nine months of 2004 of approximately $17.1 million and a corresponding decrease in gross margin as a percentage of sales of approximately 1.6 percentage points.

The remaining decline in gross margin as a percentage of sales was primarily due to increased raw material costs. Unfavorable product and region mix also contributed to the decline. While the Company benefited from the implementation of price increases during the third quarter, these gains were more than offset by the continued increase in raw material prices, particularly crude oil.

Selling, general and administrative expenses for the first nine months of the year increased $12.7 million compared to the first nine months of 2003. Foreign exchange rate translation and the Company's 2003 acquisitions accounted for approximately 40% of the increase. The majority of the remaining increase was due to costs associated with important strategic initiatives, reductions in incentive compensation accruals in the prior year, higher commissions related to higher sales, as well as a range of administrative costs such as insurance and Sarbanes-Oxley compliance.

The increase in other income is primarily due to larger priority return distributions received from the Company's real estate joint venture in 2004 versus the prior year. The increase in net interest expense is primarily due to higher debt balances outstanding during the first nine months of 2004 versus the first nine months of 2003.

The year-to-date effective tax rate is 31.5% versus 30% in the prior year. Many external and internal factors can impact this rate and the Company will continue to refine this percentage, if necessary, as the year progresses. In August 2004, a U.S. Federal tax audit began in accordance with the Company's normal three-year cycle.

The increase in equity income was primarily due to a stronger performance from all of the Company's equity affiliates. The increase in minority interest expense is reflective of stronger performances from most of the Company's minority interest affiliates, in particular Brazil.

Net income for the first nine months of the year was $7.3 million versus $10.7 million for the first nine months of 2003 due to significantly higher raw material costs, and higher selling and general costs. Earnings per diluted share decreased from $1.11 per diluted share to $0.73 per diluted share.

Segment Reviews - Comparison of the First Nine Months 2004 with First Nine Months of 2003

Metalworking Process Chemicals:

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represent approximately 93% of our sales in the first nine months of 2004. Reported revenues in this segment for the first nine months of 2004 were up approximately 22% compared with the first nine months of 2003. The Company's new CMS contracts accounted for approximately 8 percentage points of the revenue growth in this segment. Currency translation increased sales by 5 percentage points of the revenue growth in this segment as the average Euro to US dollar rate was 1.23 in the first nine months of 2004 compared to 1.11 during the first nine months of 2003. The Company's 2003 acquisitions of Vulcan, Eural and KS Chemie accounted for 7 percentage points of the revenue growth in this segment. The remaining net sales increase of 2% was primarily due to 16% growth in South America, 14% growth in Asia/Pacific and 4% growth in the U.S. base business, offset by decreases in our European sales, which were down 2% all on a constant currency basis. The operating income in this segment increased by $2.1 million or 5% for the first nine months of 2004 compared to 2003. The disparity between the increase in sales and operating income is largely reflective of the Company's new approach to its CMS business, discussed in the Comparison of the First Nine Months 2004 with First Nine Months of 2003. Further, this segment's operating income was negatively impacted by significantly higher raw material costs, unfavorable product and regional sales mix as well as higher administrative costs.

Coatings:

The Company's Coatings segment represents approximately 6% of the Company's sales for the first nine months of 2004 and contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Revenues for this segment were up approximately $0.9 million or 5% for the first nine months of 2004 compared with the prior year primarily due to higher chemical milling maskant sales to the aerospace industry. Operating income increased by $0.5 million over the first nine months of 2003, consistent with the noted volume increases.

Other Chemical Products:

Other Chemical Products represents approximately 1% of total sales in the first nine months of 2004 and consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Sales for first nine months of 2004 increased $0.2 million due to increased sales to the hydrocarbon market. Operating income increased by $0.1 million for the first nine months of the year versus the prior year, consistent with the noted volume increases.

Comparison of Third Quarter 2004 with Third Quarter of 2003

Net sales for the third quarter of 2004 were a record $99.7 million, up 11% from $89.7 million for the third quarter of 2003. Foreign exchange rate translation and the Company's 2003 acquisitions, favorably impacted net sales by approximately $2.4 million and $3.9 million, respectively. The remaining net sales increase of approximately 4% was attributable to growth in the North and South American regions tempered by lower sales in Europe.

Gross margins as a percentage of sales declined from 34.3% for the third quarter of 2003 to 31.8% for the third quarter of 2004. While the Company benefited from the implementation of price increases during the quarter, these gains were more than offset by the continued escalation of raw material prices, particularly crude oil. Unfavorable product and regional mix also contributed to the decline in gross margin percentage.

Selling, general and administrative expenses for the quarter increased $4.8 million compared to the third quarter of 2003. The third quarter of 2003 is unusually low as a comparison period due to a reduction in incentive compensation in that quarter. The incentive compensation adjustment, foreign exchange rate translation, and the Company's 2003 acquisitions accounted for approximately two-thirds of the increase. The majority of the remaining increase was due to costs associated with important strategic initiatives, as well as a range of administrative costs such as insurance and Sarbanes-Oxley compliance.

The increase in other income is reflective of higher priority return distributions from the Company's real estate joint venture in the third quarter of 2004 versus the third quarter of 2003. The increase in net interest expense is primarily due to higher debt balances outstanding during the third quarter of 2004 versus the third quarter of 2003.

Net income for the third quarter decreased to $1.2 million versus $4.1 million for the third quarter of 2003. Significantly higher raw material cost, which was the single most important factor, and higher selling, general and administrative costs were largely responsible for the shortfall in earnings compared to the prior year.

Segment Reviews - Comparison of the Third Quarter 2004 with Third Quarter of 2003

Metalworking Process Chemicals:

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represent approximately 92% of the Company's sales in the third quarter of 2004. Reported revenues in this segment for the third quarter of 2004 were up approximately 11% compared with the third quarter of 2003. Currency translation increased sales by 3 percentage points of the revenue growth in this segment as the average Euro to US Dollar rate was 1.22 in the third quarter of 2004 compared to 1.13 during the third quarter of 2003. The Company's acquisitions of Vulcan and Eural accounted for 5 percentage points of the revenue growth in this segment. The remaining net sales increase of 3% was primarily due to 16% growth in South America and 13% growth in the U.S., partially offset by decreases in our European sales, which were down 2% all on a constant currency basis. The operating income in this segment decreased by $0.5 million or 4% for the third quarter of 2004 compared to the third quarter of 2003. This segment's operating income was negatively impacted by significantly higher raw material costs, unfavorable product and regional mix as well as higher administrative costs.

Coatings:

The Company's Coatings segment represents approximately 7% of the Company's sales in the third quarter of 2004 and contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Revenues increased by approximately $0.5 million or 9% due to higher chemical milling maskant sales to the aerospace industry, with a corresponding increase in operating income for the quarter.

Other Chemical Products:

Other Chemical Products represents approximately 1% of total sales in the third quarter of 2004 and consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Sales increased $0.2 million in the third quarter versus the prior year due to increased sales to the hydrocarbon market. Operating income for the third quarter of 2004 increased $0.1 million due to the noted volume increases as well as due to costs incurred in the prior year for increased accounts receivable reserves and customer returned product.

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) contains 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, oral or written forward-looking statements are also included in Quaker's periodic reports on Forms 10-K and 8-K, press releases and other materials released to the public.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. Most of Quaker's 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. Accordingly, if interest rates rise significantly, the cost of short-term debt to Quaker will increase. This can have an adverse effect on Quaker, depending on the extent of Quaker's short-term borrowings. As of September 30, 2004, Quaker had $55.0 million in short-term borrowings.

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

The Company generally does not use financial instruments that expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 55% to 56% of the consolidated net annual sales.

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

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

Credit Risk. Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Downturns in the overall economic climate may also tend to exacerbate specific customer financial issues. A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel industry, where a number of bankruptcies occurred during recent years. Through 2003, Quaker recorded additional provisions for doubtful accounts primarily related to bankruptcies in the U.S. steel industry. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. In addition, as part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. These practices may increase the Company's exposure should a bankruptcy occur, and may require writedown or disposal of certain inventory due to its estimated obsolescence or limited marketability. Customer returns of products or disputes may also result in similar issues related to the realizability of recorded accounts receivable or returned inventory.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)), based on their evaluation of such controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, are effective to reasonably assure that information required to be disclosed by the Company in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in internal controls. The Company is in the process of implementing a global ERP system. The Company completed its initial implementation of this system in The Netherlands during 2002. During 2003, the Company implemented this system in additional European subsidiaries, its primary U.S. Operations and several CMS sites. At the end of 2003, subsidiaries representing more than 50% of consolidated revenue were operational on the global ERP system. The Company has continued to implement this system at other CMS sites during 2004. Additional subsidiaries and CMS sites are planned to be implemented during 2005. The Company is taking the necessary steps to monitor and maintain the appropriate internal controls during this period of change.

PART II. OTHER INFORMATION

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

Item 6: Exhibits

(a) Exhibits.

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 Ronald J. Naples Pursuant to 18 U.S. C. Section 1350

32.2 - Certification of Neal E. Murphy Pursuant to 18 U.S. C. Section 1350

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/ Neal E. Murphy

Neal E. Murphy,
officer duly authorized to sign this report,
Vice President and Chief Financial Officer

Date: November 5, 2004

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, Ronald J. Naples, 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 the 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)) 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) 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
   (c) 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 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: November 5, 2004

/s/ Ronald J. Naples

Ronald J. Naples
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, Neal E. Murphy, 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 the 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)) 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) 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

   (c) 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 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: November 5, 2004

/s/ Neal E. Murphy

Neal E. Murphy
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 September 30, 2004 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: November 5, 2004	/s/ Ronald J. Naples
	Ronald J. Naples 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 September 30, 2004 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: November 5, 2004	/s/ Neal E. Murphy
	Neal E. Murphy Chief Financial Officer of Quaker Chemical Corporation