

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

October 31, 2006

Date of Report (Date of earliest event reported)

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

Commission File Number 001-12019

PENNSYLVANIA

*(State or other jurisdiction of
incorporation or organization)*

No. 23-0993790

*(I.R.S. Employer
Identification No.)*

One Quaker Park

901 Hector Street

Conshohocken, Pennsylvania 19428

*(Address of principal executive offices)
(Zip Code)*

(610) 832-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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INFORMATION TO BE INCLUDED IN THE REPORT

Item 2.02. Results of Operations and Financial Condition.

On October 31, 2006, Quaker Chemical Corporation announced its results of operations for the third quarter ended September 30, 2006 in a press release, the text of which is included as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

The following exhibit is included as part of this report:

Exhibit No.

| | |
|------|--|
| 99.1 | Press Release of Quaker Chemical Corporation dated October 31, 2006. |
|------|--|

SIGNATURE

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

Date: November 1, 2006

By: /s/ NEAL E. MURPHY

Neal E. Murphy
Vice President and
Chief Financial Officer



**For Release:
Immediate**

NEWS

**Contact:
Neal E. Murphy
Vice President and
Chief Financial Officer
610-832-4189**

**QUAKER CHEMICAL ANNOUNCES RECORD THIRD QUARTER SALES AND
A 42% INCREASE IN NET INCOME**

October 31, 2006

CONSHOHOCKEN, PA – Quaker Chemical Corporation (NYSE:KWR) today announced record third quarter sales of \$116.4 million and a 42% net income improvement to \$3.1 million, compared to third quarter 2005 sales of \$105.8 million and net income of \$2.2 million. Diluted earnings per share increased to \$0.32 for the third quarter of 2006 versus \$0.23 in the third quarter of last year.

Third Quarter 2006 Summary

Net sales for the third quarter of 2006 were \$116.4 million, up 10.1% from the third quarter of 2005 due to higher selling prices across all regions and volume growth in the U.S. and China.

Gross margin as a percentage of sales was 31.6% for the third quarter of 2006, as compared to 32.0% for the third quarter of 2005. Higher selling prices and stronger performance from the Company's CMS channel helped restore margins to prior year third quarter levels despite continued significant escalations in raw material costs. The third quarter 2006 gross margin percentage of 31.6% shows sequential improvement over the first two quarters of the year in which the Company reported gross margins of 29.6% and 30.4%, respectively.

Selling, general and administrative expenses for the quarter increased \$1.5 million, but decreased as a percentage of sales to 27% from 28.3% in the prior year third quarter. Planned new spending in higher growth areas was funded by savings from the Company's restructuring program in the fourth quarter of 2005. Higher variable compensation in the third quarter of 2006 as compared to the prior year third quarter was the result of increased earnings.

The increase in net interest expense is attributable to higher average borrowings and higher interest rates. The decrease in minority interest expense is due to lower financial performance from the Company's minority affiliates.

Year-to-Date Summary

Net sales for the first nine months of 2006 were \$344.9 million, up 8.8% from \$317.0 million for the first nine months of 2005. The increase in net sales was attributable to higher sales prices and volume growth. Volume growth was mainly attributable to market share growth and increased demand in the U.S. and China. Selling price increases continue to be broadly implemented across all regions and market segments to offset significantly higher raw material costs.

Net income for the first nine months of 2006 was \$8.7 million compared to \$7.1 million for the first nine months of 2005, which included a \$4.2 million pre-tax gain from the Company's real estate joint venture, partially offset by a \$1.2 million pre-tax restructuring charge.

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Quaker Chemical Corporation

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

T 610.832.4000 F 610.832.8682

Gross margin as a percentage of sales was 30.5% for the first nine months of 2006, as compared to 30.8% for the first nine months of 2005. Higher selling prices and a stronger performance from the Company's CMS channel helped maintain margins notwithstanding continued increases in raw material prices, particularly crude oil derivatives.

Selling, general and administrative expenses for the first nine months of 2006 increased \$1.4 million compared to the first nine months of 2005. As was the case in the third quarter, cost savings from the Company's restructuring efforts in 2005 enabled increased spending in higher growth areas, restoration of variable compensation and higher professional fees with only minor cost increases. In addition, due to a legislative change, effective January 1, 2006, the Company recorded a pension gain in the first quarter of 2006 for \$0.9 million relating to one of its European pension plans. As a percentage of sales, selling, general and administrative expenses were 25.7% for the first nine months of 2006, as compared to 27.5% in the first nine months of 2005.

The decrease in other income is largely due to \$4.2 million of pre-tax gain relating to the Company's real estate joint venture recorded in 2005. The remainder of the decrease was the result of foreign exchange losses in the first nine months of 2006, compared to gains in the first nine months of 2005.

The increase in net interest expense is attributable to higher average borrowings and higher interest rates. The decrease in minority interest expense for the year is due to the acquisition of the remaining 40% interest in the Company's Brazilian affiliate in March of 2005 and lower financial performance from the Company's minority affiliates.

Balance Sheet and Cash Flow Items

The Company's net debt has increased from December 2005, primarily to fund working capital needs, as well as the restructuring actions taken in the fourth quarter of 2005. The Company's net debt-to-total capital ratio was 38% at September 30, 2006, compared to 39% at June 30, 2006, 40% at March 31, 2006 and 35% at December 31, 2005.

Ronald J. Naples, Chairman and Chief Executive Officer, commented, "We had a great third quarter that flowed from increasing contributions from strategic initiatives such as Asia/Pacific growth and CMS, persistent pricing attention, and the fourth quarter 2005 repositioning of our cost base. We have also benefited from strong global steel demand in 2006. We're pleased with our continued earnings progress and to have been able to generate sequential quarter-over-quarter improvement in gross margin percentage in the face of continued increases in raw material costs. The recent easing of crude oil prices may help mineral oil in the long term, but this year so far we're still facing increases in mineral oil prices. Further, we have observed that global steel and automotive production has been outpacing demand in some markets over the past few months. We've had a fine profit rebound this year, and this is one of the challenges we'll be dealing with in keeping up our sequential quarterly progress as the year comes to a close. Still, we're performing significantly better than prior year, and longer term, we have a number of initiatives underway in both new markets and new products that provide new promise for the future."

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

This release contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. A major risk is that the Company's demand is largely derived from the demand for its customers' products, which subjects the Company to downturns in a customer's business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, customer financial stability, worldwide economic and political conditions, foreign currency fluctuations, and future terrorist attacks such as those that occurred on September 11, 2001. Other factors could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided by the Private Securities Litigation Reform Act of 1995.

As previously announced, Quaker Chemical's investor conference call to discuss third quarter results is scheduled for November 1, 2006 at 2:30 p.m. (ET). Access the conference by calling 877-269-7756 or visit Quaker's Web site at www.quakerchem.com for a live webcast.

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Quaker Chemical Corporation
Condensed Consolidated Statement of Income
(Dollars in thousands, except per share data and share amounts)

| | (Unaudited) | | (Unaudited) | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Net sales | \$ 116,425 | \$ 105,751 | \$ 344,924 | \$ 316,954 |
| Cost of goods sold | 79,650 | 71,874 | 239,599 | 219,441 |
| Gross margin | 36,775 | 33,877 | 105,325 | 97,513 |
| % | 31.6% | 32.0% | 30.5% | 30.8% |
| Selling, general and administrative | 31,485 | 29,937 | 88,636 | 87,274 |
| Restructuring and related activities, net | — | — | — | 1,232 |
| Operating income | 5,290 | 3,940 | 16,689 | 9,007 |
| % | 4.5% | 3.7% | 4.8% | 2.8% |
| Other income, net | 539 | 353 | 1,054 | 5,869 |
| Interest expense, net | (1,218) | (670) | (3,435) | (1,844) |
| Income before taxes | 4,611 | 3,623 | 14,308 | 13,032 |
| Taxes on income | 1,378 | 1,178 | 5,058 | 4,235 |
| Equity in net income of associated companies | 3,233 | 2,445 | 9,250 | 8,797 |
| Minority interest in net income of subsidiaries | 218 | 208 | 456 | 414 |
| | (312) | (441) | (1,033) | (2,078) |
| Net income | \$ 3,139 | \$ 2,212 | \$ 8,673 | \$ 7,133 |
| % | 2.7% | 2.1% | 2.5% | 2.3% |
| Per share data: | | | | |
| Net income - basic | \$ 0.32 | \$ 0.23 | \$ 0.89 | \$ 0.74 |
| Net income- diluted | \$ 0.32 | \$ 0.23 | \$ 0.88 | \$ 0.73 |
| Shares Outstanding: | | | | |
| Basic | 9,792,187 | 9,693,851 | 9,762,019 | 9,671,516 |
| Diluted | 9,854,625 | 9,801,893 | 9,833,903 | 9,816,006 |

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Quaker Chemical Corporation
Condensed Consolidated Balance Sheet
(Dollars in thousands, except par value and share amounts)

| | (Unaudited) | |
|---|-----------------------|-----------------------|
| | September 30, 2006 | December 31, 2005* |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 15,785 | \$ 16,121 |
| Accounts receivable, net | 106,657 | 93,943 |
| Inventories, net | 51,533 | 45,818 |
| Prepaid expenses and other current assets | 13,324 | 10,111 |
| Total current assets | 187,299 | 165,993 |
| Property, plant and equipment | 153,591 | 140,903 |
| Less accumulated depreciation | 93,773 | 84,006 |
| Net property, plant and equipment | 59,818 | 56,897 |
| Goodwill | 37,966 | 35,418 |
| Other intangible assets, net | 7,839 | 8,703 |
| Investments in associated companies | 6,780 | 6,624 |
| Deferred income taxes | 24,031 | 24,385 |
| Other assets | 34,294 | 33,975 |
| Total assets | \$ 358,027 | \$ 331,995 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term borrowings and current portion of long-term debt | \$ 2,862 | \$ 5,094 |
| Accounts and other payables | 58,314 | 52,923 |
| Accrued compensation | 12,642 | 9,818 |
| Other current liabilities | 17,481 | 19,053 |
| Total current liabilities | 91,299 | 86,888 |
| Long-term debt | 83,550 | 67,410 |
| Deferred income taxes | 5,035 | 4,608 |
| Other non-current liabilities | 57,889 | 60,573 |
| Total liabilities | 237,773 | 219,479 |
| Minority interest in equity of subsidiaries | 6,452 | 6,609 |
| Shareholders' equity | | |
| Common stock, \$1 par value; authorized 30,000,000 shares; issued 2006 - 9,873,744, 2005 - 9,726,385 shares | 9,874 | 9,726 |
| Capital in excess of par value | 4,456 | 3,574 |
| Retained earnings | 113,640 | 111,317 |
| Accumulated other comprehensive loss | (14,168) | (18,710) |
| Total shareholders' equity | 113,802 | 105,907 |
| Total liabilities and shareholders' equity | \$ 358,027 | \$ 331,995 |

* Condensed from audited financial statements.

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Quaker Chemical Corporation
Condensed Consolidated Statement of Cash Flows
For the nine months ended September 30,
(Dollars in thousands)

| | (Unaudited) | |
|--|------------------|------------------|
| | 2006 | 2005* |
| Cash flows from operating activities | | |
| Net income | \$ 8,673 | \$ 7,133 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation | 7,406 | 6,731 |
| Amortization | 1,058 | 1,014 |
| Equity in undistributed earnings of associated companies, net of dividends | (251) | (180) |
| Minority interest in earnings of subsidiaries | 1,033 | 2,078 |
| Deferred income taxes | 834 | 419 |
| Deferred compensation and other, net | 387 | 145 |
| Stock-based compensation | 601 | 563 |
| Restructuring and related activities, net | — | 1,232 |
| Gain on sale of partnership assets | — | (2,989) |
| (Gain) Loss on disposal of property, plant and equipment | 19 | — |
| Insurance settlement realized | (252) | — |
| Pension and other postretirement benefits | (3,108) | (3,905) |
| Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions: | | |
| Accounts receivable | (10,077) | (8,635) |
| Inventories | (4,561) | (2,920) |
| Prepaid expenses and other current assets | (3,022) | (2,063) |
| Accounts payable and accrued liabilities | 8,351 | 5,349 |
| Change in restructuring liabilities | (3,731) | (1,636) |
| Net cash provided by operating activities | 3,360 | 2,336 |
| Cash flows from investing activities | | |
| Capital expenditures | (8,513) | (5,142) |
| Payments related to acquisitions | (1,069) | (6,700) |
| Proceeds from partnership disposition of assets | — | 2,989 |
| Proceeds from disposition of assets | 64 | 1,894 |
| Interest received on insurance settlement | 240 | — |
| Change in restricted cash, net | 12 | — |
| Net cash used in investing activities | (9,266) | (6,959) |
| Cash flows from financing activities | | |
| Short-term debt borrowings | 1,873 | 7,815 |
| Repayments of short-term debt | (4,519) | — |
| Long-term debt borrowings | 15,680 | — |
| Repayments of long-term debt | (704) | (9,328) |
| Dividends paid | (6,320) | (6,251) |
| Issuance of common stock | 429 | 256 |
| Distributions to minority shareholders | (1,464) | (3,163) |
| Net cash provided by (used in) financing activities | 4,975 | (10,671) |
| Effect of exchange rate changes on cash | 595 | (675) |
| Net decrease in cash and cash equivalents | (336) | (15,969) |
| Cash and cash equivalents at the beginning of the period | 16,121 | 29,078 |
| Cash and cash equivalents at the end of the period | \$ 15,785 | \$ 13,109 |

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