SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1995

or

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

for transition period from   to

Commission file number 0-7154

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

A Pennsylvania Corporation	No. 23-0993790
(State or other jurisdiction of incorporation or organization)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
None	

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 par value

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 and (2) has been subject to such filing requirements for the past 90 days. Yes _X_   No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

State the aggregate market value of the voting stock held by non-affiliates of the Registrant. (The aggregate market value is computed by reference to the last reported sale on the Nasdaq National Market System on March 15, 1996): $102,577,374.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date: 8,669,320 shares of Common Stock, $1.00 Par Value, as of March 15, 1996.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 1995 are incorporated into Parts I and II.

(2) Portions of the Registrant's definitive Proxy Statement dated March 29, 1996 in connection with the Annual Meeting of Shareholders to be held on May 9, 1996 are incorporated into Part III.

The exhibit index is located on page 12.

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PART I

As used in this Report, the term "Quaker," unless the context otherwise requires, means Quaker Chemical Corporation, its subsidiaries, and associated companies.

Item 1. Business.

General Description

Quaker develops, produces, and markets a broad range of formulated chemical specialty products for various heavy industrial and manufacturing applications and, in addition, offers and markets chemical management services, including recycling services. Quaker's principal products and services include: (i) rolling lubricants (used by manufacturers of steel in the hot and cold rolling of steel); (ii) corrosion preventives (used by steel and metalworking customers to protect metal during manufacture, storage, and shipment); (iii) metal finishing compounds (used to prepare metal surfaces for special treatments such as galvanizing and tin plating and to prepare metal for further processing); (iv) machining and grinding compounds (used by metalworking customers in cutting, shaping, and grinding metal parts which require special treatment to enable them to tolerate the manufacturing process); (v) forming compounds (used to facilitate the drawing and extrusion of metal products); (vi) paper production products (used as defoamers, release agents, softeners, debonders, and dispersants); (vii) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulically activated equipment); (viii) products for the removal of hydrogen sulfide in various industrial applications; (ix) chemical milling maskants for the aerospace industry; (x) construction products such as flexible sealants and protective coatings for various applications; and (xi) programs to provide recycling and chemical management services.

In 1995, the Company acquired 90% of the outstanding common stock of Celumi Ltda. (located in Brazil), a supplier of chemical specialty products to the metalworking industry, and a 60% interest in a joint venture with Wuxi Quaker Chemical Company Limited to manufacture lubricants for the cold rolling of steel and other products for the steel industry in China. For additional information regarding these transactions, see Note 10 of Notes to Consolidated Financial Statements which appears on p. 27 of the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Substantially all of Quaker's sales worldwide are made directly through its own sales force. Quaker sales persons visit the plants of customers regularly, and through training and experience, identify production needs which can be resolved or alleviated either by adapting Quaker's existing products or by applying new formulations developed in Quaker's laboratories. Sales personnel may call upon Quaker's regional managers, product managers, and members of its laboratory staff for assistance in obtaining and setting up product tests and evaluating the results of such tests. In

1995, certain products were also sold in Canada, Korea, and India by exclusive licensees under long-term royalty agreements. Generally, separate manufacturing facilities of a single customer are served by different sales personnel.

Competition

The chemical specialty industry is composed of a number of companies of similar size as well as companies larger and smaller than Quaker. Quaker cannot readily determine its precise position in the industry. Many competitors are in fewer and more specialized product classifications or provide different levels of technical services in terms of specific formulations for individual customers. Competition in the industry is based primarily on the ability to provide products which meet the needs of the customer and render technical services and laboratory assistance to customers and, to a lesser extent, on price.

Major Customers

During 1995, Quaker's five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) accounted for approximately 13% of its consolidated net sales with the largest of these customers accounting for approximately 3% of consolidated net sales.

Raw Materials

Quaker uses over 500 raw materials, including mineral oils, fats and fat derivatives, ethylene derivatives, solvents, surface active agents, chlorinated paraffinic compounds, and a wide variety of organic and inorganic compounds. In 1995, only one raw material accounted for as much as 12% of the total cost of Quaker's raw material purchases. Quaker has multiple sources of supply for most materials, and management believes that the failure of any single supplier would not have a material adverse effect upon its business.

Patents and Trademarks

Quaker has a limited number of patents and patent applications, including patents issued, applied for, or acquired in the United States and in various foreign countries, some of which may prove to be material to its business. Principal reliance is placed upon Quaker's proprietary formulae and the application of its skills and experience to meet customer needs. Quaker's products are identified by trademarks which are registered throughout its marketing area. Quaker makes little use of advertising but relies heavily upon its reputation in the markets which it serves.

Research and Development--Laboratories

Quaker's research and development laboratories are directed primarily toward applied research and development since the nature of Quaker's business requires continuing modification and improvement of formulations to provide chemical specialties to satisfy customer requirements.

Quaker maintains quality control laboratory facilities in each of its manufacturing locations. In addition, Quaker maintains in Conshohocken, Pennsylvania, laboratory facilities which are devoted primarily to applied research and development.

Most of Quaker's subsidiaries and associates also have laboratory facilities. Although not as complete as the Conshohocken laboratories, these facilities are generally sufficient for the requirements of the customers being served. If problems are encountered which cannot be resolved by local laboratories, such problems may be referred to the corporate laboratory staff, which also defines and supervises corporate research projects.

Approximately 160 persons, of whom 84 have B. S. degrees and 34 have B.S. and advanced degrees, are employed in Quaker's laboratories.

Number of Employees

On December 31, 1995, Quaker's consolidated companies had 870 full-time employees of whom 388 were employed by the parent company and its U.S. subsidiaries and 482 were employed by its non-U.S. subsidiaries. Associated non-U.S. companies of Quaker (in which it owns 50% or less) employed 146 people on December 31, 1995.

Product Classification

Incorporated by reference is the information concerning product classification by markets served appearing under the caption "Supplemental Financial Information" on page 32 of the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Non-U.S. Activities

Incorporated by reference is the information concerning non-U.S. activities appearing in Note 9 to Notes to Consolidated Financial Statements on page 27 of the Registrant's 1995 Annual Report to Shareholders and under the caption "General" of the Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations which appears on page 15

of the aforementioned Annual Report, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 2. Properties.

Quaker's principal facilities in the United States are located in Conshohocken, Pennsylvania and Detroit, Michigan. Quaker's non-U.S. subsidiaries own facilities in Woodchester, England; Uithoorn, The Netherlands; Villeneuve, France; and Santa Perpetua de Mogoda, Spain and lease small sales facilities in other locations. All of these facilities are owned mortgage free. Financing for the Technical Center in Conshohocken, Pennsylvania was arranged through the use of industrial revenue and development bonds with an outstanding balance at December 31, 1995 of $5,000,000.

Quaker's aforementioned facilities consist of various manufacturing, administrative, warehouse, and laboratory buildings. Substantially all of the buildings are of fire-resistant construction and are equipped with sprinkler systems. All facilities are primarily of masonry and/or steel construction and are adequate and suitable for Quaker's present operations. The Company has a program to identify needed capital improvements which will be implemented as management considers necessary or desirable. Most locations have various numbers of raw material storage tanks ranging from 6 to 63 having a capacity from 500 to 80,000 gallons each and processing or manufacturing vessels ranging in capacity from 50 to 12,000 gallons each.

In order to facilitate compliance with applicable federal, state, and local statutes and regulations relating to occupational health and safety and protection of the environment, the Company has an ongoing program of site assessment, currently directed primarily to facilities in the United States for the purpose of identifying capital expenditures or other actions that may be necessary to comply with such requirements. The program includes periodic inspections of each facility in the United States by Quaker and/or independent environmental experts, as well as ongoing inspections by on-site personnel. Such inspections are addressed to operational matters, record-keeping, reporting requirements, and capital improvements. In 1995, capital expenditures directed solely or primarily to regulatory compliance amounted to approximately $1,800,000.

Quaker's executive offices are located in a four-story building containing a total of approximately 47,000 square feet. A Technical Center containing approximately 28,700 square feet houses the laboratory facility. Both of these facilities are adjacent to Quaker's manufacturing facility in Conshohocken.

Quaker's 50% or less owned non-U.S. associates own or lease a plant and/or sales facilities in various locations.

Item 3. Legal Proceedings.

The Company is a party to proceedings, cases, and requests for information from, and negotiations with, various claimants and federal and state agencies relating to various matters including environmental matters, none of which is expected to result in monetary sanctions in an amount or in an award that would have a material adverse effect on the Company's results of operations or financial condition. For information concerning pending asbestos-related cases against a non-operating subsidiary and amounts accrued associated with certain environmental investigatory and noncapital remediation costs, refer to Note 11 of Notes to Consolidated Financial Statements which appears on page 28 in the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the last quarter of the period covered by this Report.

Item 4(a). Executive Officers of the Registrant.

Name	Office (since)	Age	Year First Elected as an Executive Officer
Peter A. Benoliel	Chairman of the Board (1980)	64	1963
Ronald J. Naples	President and Chief Executive Officer (1995)	50	1995
Jose Luiz Bregolato	Vice President-South America (1993)	50	1993
Daniel S. Ma	Vice President-Asia/Pacific (1995)	55	1995
Marcus C. J. Meijer	Vice President-Europe (1990)	48	1990
Clifford E. Montgomery	Vice President-Human Resources (1990)	48	1990

All of the Executive Officers with the exception of Messrs. Bregolato, Ma, and Naples have served as officers of the Registrant for more than the past five years. Prior to his election as an officer of the Registrant, Mr. Bregolato served as Financial Consultant and Administrative Director of Fabrica Carioca de

Catalisadores, S.A. to which he was appointed in 1985. Prior to his election as an officer of the Registrant, Mr. Ma was Managing Director, Asia/Pacific Region, to which he was appointed in

1993 and was Business Manager, PPG Industries from 1991 to 1993. Prior to his election as President and Chief Executive Officer, effective October 2, 1995, Mr. Naples served as Chairman of the Board and Chief Executive Officer of Hunt Manufacturing Company until April 6, 1995, a position held for over five years. Mr. Naples has been a Director of the Registrant since 1988.

There is no family relationship between any of the Registrant's Executive Officers. Each officer is elected for a term of one year.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Incorporated by reference is the information appearing under the caption "Stock Market and Related Security Holder Matters" on page 32 of the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 6. Selected Financial Data.

Incorporated by reference is the information appearing under the caption "Eleven-Year Financial Information" on pages 30 and 31 of the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference is the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 and 15 of the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 8. Financial Statements and Supplementary Data.

Incorporated by reference is the information appearing on pages 13 through 32 of the Registrant's 1995 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Incorporated by reference is the information beginning immediately following the caption "Election of Directors" to, but not including, the caption "Executive Compensation" contained in the Registrant's definitive Proxy Statement to be filed no later than 120 days after the close of its fiscal year ended December 31, 1995 (the "1996 Proxy Statement") and the information appearing in Item 4(a) on page 5 of this Report. Based solely on the Company's review of certain reports filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act"), as amended, and written representations of the Company's officers and directors, the Company believes that all reports required to be filed pursuant to the 1934 Act with respect to transactions in the Company's Common Stock through December 31, 1995 were filed on a timely basis except for one filing on Form 4 covering one transaction each for Patricia C. Barron, Lennox K. Black, and Edwin J. Delattre.

Item 11. Executive Compensation.

Incorporated by reference is the information beginning immediately following the caption "Executive Compensation" to, but not including, the caption "Compensation/Management Development Committee Report on Executive Compensation" contained in the Registrant's 1996 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated by reference is the information beginning immediately following the caption "Security Ownership of Certain Beneficial Owners and Management" to, but not including, the caption "Election of Directors" contained in the Registrant's 1996 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

No information is required to be provided in response to this Item 13.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Exhibits and Financial Statement Schedules

1. Financial Statements

The following is a list of the Financial Statements and related documents which have been incorporated by reference from the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1995, as set forth in Item 8:

Consolidated Statement of Operations

Consolidated Balance Sheet

Consolidated Statement of Cash Flows

Consolidated Statement of Shareholders' Equity

Notes to Consolidated Financial Statements

Report of Independent Accountants

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Financial statements of 50% or less owned companies have been omitted because none of the companies meets the criteria requiring inclusion of such statements.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3(a)--Articles of Incorporation.

Incorporated by reference to Exhibit 3(a) to Form 10-Q as filed by the Registrant for the quarter ended March 31, 1987.

3(b)--By-Laws.

Incorporated by reference to Exhibit 3(b) to Form 10-Q as filed by the Registrant for the quarter ended June 30, 1993.

4 --Shareholder Rights Plan. Incorporated by reference to Form 8-K as filed by the Registrant on February 20, 1990.

10(a)--Long-Term Performance Incentive Plan as approved May 5, 1993. Incorporated by reference to Exhibit 10(a) as filed by the Registrant with Form 10-K for the year 1993.

10(b)--Employment Agreement by and between Registrant and Peter A. Benoliel. Incorporated by reference to Exhibit 10(b) as filed by Registrant with Form 10-K for the year 1989.*

10(f)--Employment Agreement by and between Registrant and Clifford E. Montgomery. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-K for the year 1990.*

10(h)--Documents constituting employment contract by and between Quaker Chemical Europe B.V. and M. C. J. Meijer. Incorporated by reference to Exhibit 10(h) as filed by Registrant with Form 10-K for the year 1993.*

10(i)--Employment Agreement by and between the Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.*

10(j)--Amendment to the Stock Option Agreement by and between the Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.*

10(k)--Employment Agreement by and between Registrant and Jose Luiz Bregolato.*

10(l)--Employment Agreement by and between Registrant and Daniel S. Ma.*

13 --Portions of the 1995 Annual Report to Shareholders incorporated by reference.

21 --Subsidiaries and Affiliates of the Registrant.
23 --Consent of Independent Accountants.
27 --Financial Data Schedule.

* A management contract or compensatory plan or arrangement required to be filed as an exhibit to this Report.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Registrant during the last quarter of the period covered by this Report.

(c) The exhibits required by Item 601 of Regulation S-K filed as part of this Report or incorporated herein by reference are listed in subparagraph (a)(3) of this Item 14.

(d) The financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 29, 1996 By: RONALD J. NAPLES

Ronald J. Naples
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Capacity	Date
RONALD J. NAPLES Ronald J. Naples President and Chief Executive Officer	Principal Executive Officer and Director	March 29, 1996
RICHARD J. FAGAN	Principal Accounting Officer	March 29, 1996

Richard J. Fagan
Corporate Controller and Acting Treasurer

PETER A. BENOLIEL - -- Peter A. Benoliel, Chairman of the Board	Director	March 29, 1996
JOSEPH B. ANDERSON, JR. - -- Joseph B. Anderson, Jr.	Director	March 29, 1996
PATRICIA C. BARRON - -- Patricia C. Barron	Director	March 29, 1996
WILLIAM L. BATCHELOR - -- William L. Batchelor	Director	March 29, 1996
LENNOX K. BLACK - -- Lennox K. Black	Director	March 29, 1996
EDWIN J. DELATTRE - -- Edwin J. Delattre	Director	March 29, 1996
FRANCIS J. DUNLEAVY - -- Francis J. Dunleavy	Director	March 29, 1996
ROBERT P. HAUPTFUHRER - -- Robert P. Hauptfuhrer	Director	March 29, 1996
FREDERICK HELDRING - -- Frederick Heldring	Director	March 29, 1996
ALEX SATINSKY - -- Alex Satinsky	Director	March 29, 1996

EXHIBIT INDEX

Exhibit No.	Description
10(k)	Employment Agreement by and between Registrant and Jose Luiz Bregolato
10(l)	Employment Agreement by and between Registrant and Daniel S. Ma
13	Portions of the 1995 Annual Report to Shareholders Incorporated by Reference
21	Subsidiaries and Affiliates of the Registrant
23	Consent of Independent Accountants
27	Financial Data Schedule

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made and entered into as of the 14 day of June, 1993, by and between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (hereinafter referred to as "QUAKER"), and JOSE LUIZ BREGOLATO (hereinafter referred to as "BREGOLATO").

W I T N E S S E T H:

WHEREAS, QUAKER wishes to employ BREGOLATO and BREGOLATO wishes to be employed by QUAKER;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. QUAKER agrees to employ BREGOLATO and BREGOLATO agrees to serve QUAKER as Vice President-South America of QUAKER and such other executive and administrative duties as shall be assigned to him by the Board of Directors or President of QUAKER.

2. The term of BREGOLATO's employment shall commence on 14 June 1993 and continue for an indefinite period of time.

3. QUAKER shall pay to BREGOLATO and BREGOLATO shall accept an annual rate of salary as set forth in Exhibit A attached hereto, payable semi-monthly, during the term of this Employment Agreement or any extension or renewal thereof.

4. BREGOLATO shall participate in such QUAKER Incentive Programs as described and set forth in Exhibit A. As an Officer of

QUAKER, the particulars of Exhibit A may be amended by the Board of Directors at any time as to any matter set forth therein including rate of annual salary, eligibility to participate in any given QUAKER incentive plan, the level of participation in any QUAKER incentive plan, and the terms and conditions of any QUAKER incentive plan. Any changes to Exhibit A shall not affect any of the other terms and conditions hereof including, without limitation, the provisions of Paragraph 10. For the purposes of this Agreement, the term "QUAKER Incentive Program" shall refer to each individual as well as the combined incentive programs approved by the Board of Directors. Revisions to Exhibit A shall become effective upon notification in writing by QUAKER.

5. BREGOLATO shall also receive vacation time equal to thirty calendar days annually and a compensation equal to a half-month salary.

6. In the event of the death of BREGOLATO during which this Employment Agreement is in effect, and as to which no notice of termination has been given by either party, QUAKER shall (a) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (b) QUAKER shall pay a death benefit payment in the amount of BREGOLATO's annual salary as set forth in Paragraph 3 hereof, plus the sum of $30,000, and payment thereof shall be made, without interest, in three equal payments respectively within 16, 28, and 40 months after the date of his death. Payments made pursuant to this Paragraph 6 shall be made to the person or persons

who may be designated by BREGOLATO, in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to BREGOLATO's personal representatives.

7. BREGOLATO covenants and agrees that he will, during the term of this Employment Agreement or any extension or renewal thereof, devote his knowledge, skill, and working time solely and exclusively to the business and interests of QUAKER. BREGOLATO further covenants and agrees that he will not, during the term of this Employment Agreement or any extension or renewal thereof, directly or indirectly, enter into any business or employment of a similar nature as QUAKER or of any wholly or partially-owned subsidiary of QUAKER (as owner, employee, agent, or otherwise) unless QUAKER consents in writing to such activity.

8. BREGOLATO covenants and agrees that he will, during and after the termination of his employment hereunder, hold inviolate and keep secret all knowledge or information obtained by him or developed by him from or out of his employment including, but not limited to, trade secrets, materials used, trade practices, names of customers, formulae, and processes of manufacture, all of which shall be and shall remain the sole and absolute property of QUAKER and/or its subsidiaries, as the case may be, and that he will not impart or make known any of such knowledge or information to any person, firm, or corporation except when specifically authorized so to do in writing signed by the Chairman of the Board or the President of QUAKER.

9. BREGOLATO covenants and agrees that for a period of one year after the termination of his employment hereunder, he will not, directly or indirectly, solicit, cause to be solicited, or aid in soliciting the business of any accounts sold or solicited by QUAKER or by any of its subsidiary or affiliated companies, or any joint venture of which QUAKER is a party, during the period of his employment by QUAKER. The foregoing is intended to apply only to such activities which may relate to the selling of products or materials similar in nature or functional usage to those manufactured and/or sold by QUAKER, or by any of its subsidiary or affiliated companies or such joint ventures, and, as well, to any advisory services with respect thereto. In addition, BREGOLATO covenants and agrees that after termination, he will not at any time seek to hire or engage as a consultant any QUAKER employee.

10. The purpose of this Paragraph 10 is to reinforce and encourage the continued dedication and attention of BREGOLATO to BREGOLATO's assigned duties under this Employment Agreement without distraction as a result of circumstances which may arise from the possibility of a change of control or an attempt to change the control of QUAKER.

(a) Upon the occurrence of a "First Event," QUAKER will deposit in an escrow account at Philadelphia National Bank (or such other bank as QUAKER may hereafter designate) (the "Bank") an amount equal to BREGOLATO's then current annual salary for an eighteen (18) month period ("Termination Pay"). A "First Event" for the purposes of this Agreement shall mean any one of the following events.

(1) Shares of QUAKER's Common Stock are acquired (other than directly from QUAKER in exchange for cash or property) by any person (as used in Sections 13 and 14 of the Act) other than a person who is a present Officer or Director of QUAKER, who thereby becomes the beneficial owner (as defined in Rule 13d-3 under the Act) of more than 10% of the issued and outstanding shares of QUAKER's Common Stock.

(2) Any person, firm, or corporation (including a shareholder of QUAKER) makes a tender offer or exchange offer for, or a request or invitation for tenders or exchanges of, shares of QUAKER's Common Stock.

(b) If a "Second Event" shall occur and thereafter (but within three (3) years after date of the occurrence of the First Event) BREGOLATO's employment with QUAKER shall terminate for a reason other than (I) BREGOLATO's death, (II) BREGOLATO's normal retirement for age, (III) BREGOLATO's physical or mental disability in accordance with prevailing QUAKER policy, (IV) by QUAKER as a Termination for Cause, or (V) by BREGOLATO other than as a Termination for Good Reason, BREGOLATO may demand that the Bank pay BREGOLATO the Termination Pay (the "Demand").

A "Second Event" for the purposes of this Agreement shall mean any of the following events occurring after a First Event:

(1) A new Director of QUAKER is elected in an election in which the acquirer of the shares or the offeror or the requester voted, in person or by proxy, and such new Director was not nominated as a candidate in a proxy statement forwarded to shareholders by QUAKER's management prior to the occurrence of the First Event.

(2) More than 20% of the issued and outstanding shares of QUAKER's Common Stock are owned by one person (as used in Sections 13 and 14 of the Act) other than a person who is a present Officer or Director of QUAKER.

(3) During any period of two consecutive calendar years, individuals who at the beginning of such period constitute QUAKER's Board of Directors cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by QUAKER's shareholders of each new Director was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who were Directors at the beginning of the two (2) year period.

(c) After the receipt of the Demand, the Bank will pay BREGOLATO the Termination Pay in eighteen (18) equal consecutive monthly installments, the first such installment to be paid within thirty (30) days from the date of the demand. BREGOLATO shall not be required to diminish the amount of any payment to which he is entitled under this subparagraph (c) by seeking other employment or otherwise, nor shall the amount of any payment provided for in this subparagraph (c) be reduced by any compensation earned by BREGOLATO as the result of employment by another employer after the date of termination.

(d) QUAKER may withdraw the deposited Termination Pay if three (3) years elapse from the date of deposit thereof, and if no demand has been made. If, prior to the expiration of said three (3) year period, there shall occur another First Event, QUAKER will not be required to make an additional deposit of Termination Pay, but the three (3) year period described herein shall be deemed to commence on the date of the occurrence of the last such First Event.

(e) QUAKER shall pay the usual and customary charges of the Bank for acting as escrow agent. QUAKER will be entitled to the payment of any and all interest and other income earned by the Bank through the investment of the deposited Termination Pay. Said interest shall be paid to QUAKER as earned. The escrow arrangement may be subject to the Bank's usual rules and procedures, and QUAKER will indemnify the Bank against any loss or liability for any action taken by it in good faith as escrow agent.

11. In the event that QUAKER, in its sole discretion and at any time terminates this Agreement with BREGOLATO, QUAKER agrees to provide BREGOLATO with reasonable out-placement assistance and a severance payment that shall be equal to but not less than an amount equal to six months' compensation, which shall be increased by one month for each additional year of employment up to a maximum of twelve months' compensation.

12. Termination. This Employment Agreement also can be terminated at any time by "Termination for Cause" or "Termination for Good Reason" as defined in Paragraph 13.

13. Definitions. For the purposes of this agreement, the following definitions shall apply and will be used:

(a) "Act" means the Securities Exchange Act of 1934, as amended;

(b) "QUAKER's Common Stock" means shares of Common Stock, $1.00 par value, of QUAKER;

(c) "Termination for Cause" means BREGOLATO's employment with QUAKER shall have been terminated by QUAKER by reason of either:

(A) The willful and continued failure by BREGOLATO substantially to perform BREGOLATO's duties under this Employment Agreement; or

(B) The willful engaging by BREGOLATO in a continued course of misconduct which is materially injurious to QUAKER, monetarily or otherwise.

BREGOLATO shall have been given notice thereof from QUAKER's Board of Directors and an opportunity (with counsel) to be heard by said Board of Directors, and the Board of Directors shall have made a reasonable and good faith finding that BREGOLATO was guilty of the conduct set forth in clause (A) or (B) hereof.

(d) "Termination for Good Reason" means BREGOLATO's employment with QUAKER shall have been terminated by BREGOLATO by reason of a material change announced or promulgated by QUAKER in

the terms, conditions, duties, compensation, or benefits of BREGOLATO's employment with QUAKER and not agreed to by BREGOLATO.

14. This Employment Agreement contains all the agreements and understandings between the parties hereto with respect to BREGOLATO's employment by QUAKER and supersedes all prior or contemporaneous agreements with respect thereto. This Employment Agreement shall be binding upon and for to the benefit of the parties hereto and their respective personal representatives, successors, and assigns.

IN WITNESS WHEREOF, QUAKER has caused this Employment Agreement to be signed by its President, thereunto duly authorized, and its corporate seal to be hereunto affixed and attested by its Vice President and Corporate Secretary, and BREGOLATO has hereunto set his hand and seal all as of the day and year first above written.

ATTEST: QUAKER CHEMICAL CORPORATION

[SEAL]

By:

- ------------------------------ -----------------------------

Karl H. Spaeth
Vice President and Corporate
Secretary

WITNESS:

- ------------------------------ -------------------------------

EMPLOYMENT AGREEMENT

EXHIBIT A

Effective:

Name of Employee: Jose Luiz Bregolato

Address: Rua Ipanema 151/902
22631-390 Barra da Tijuca
Rio de Janeiro - RJ - Brasil

Title: Vice President-South America

Annual Rate of
Salary at

Starting Date: $105,000*

* It is agreed that on a semi-monthly basis, Bregolato is authorized to withdraw cruzeiros in the amount equal to U.S. dollars pro-rated on a semi-monthly basis. While not guaranteed, this amount may be amended based on performance.

Participation in Quaker Incentive Programs through 1993

It is understood that under conditions of the Quaker incentive programs, changes in the percentage of award criteria are possible in response to business requirements.

Incentive Bonus Plan

Bonus will be based on the following award criteria of Quaker's Incentive Bonus Plan

Corporation Financial Results	35%
South America Financial Results	25%
Personal Goals	40%

Target Award will be $57,750. Award to be prorated in 1993 to reflect actual employment period.

For the year 1993 only, the Incentive Bonus payable will not be less than $20,000.

Long-Term Performance Incentive Plan

Type of stock options offered - Incentive
Number of shares subject to option - 20,000
Performance Incentive Units - 10,000
Option price per share - Closing price on effective date hereof

Participation under and subject to the terms of a Stock Option Agreement

Automobile Allowance

To be allowed an automobile similar in style to a Chevrolet Omega 3.0 (6 cylinder) with Quaker to pay all operating expenses, except for vacation travel. It will be traded in on a new vehicle every three years.

Housing

Quaker will provide a company loan equal to the outstanding balance of Bregolato's existing loan ($35,000), repayable over five years and on the following terms and conditions --

1. Bregolato hereby acknowledges receipt of a loan for housing from Quaker Chemical Corporation in the amount of $US 35,000.00.

2. In consideration of the foregoing and intending to be legally bound hereby, Bregolato agrees to repay the loan in 5 equal payments of $US 7,000.00 each beginning June 1, 1994 and June 1 of each year thereafter, by check payable to Quaker Chemical Corporation and delivered to W. G. Hamilton, Corporate Treasurer, Quaker Chemical Corporation, Elm and Lee Streets, Conshohocken, PA 19428

3. The loan shall be interest free and no interest shall be payable with respect to the outstanding principal.

4. Should Bregolato's employment with Quaker Chemical Corporation (or any subsidiary or affiliate thereof) cease for any reason, the outstanding balance of the loan shall immediately become due and payable in full on the date active employment ceases.

School Costs

Quaker will reimburse Bregolato for up to 50% of school costs of children, not to exceed $250.00 per month, for a period of two years. Reasonable English language instruction will be provided Bregolato's wife.

Medical/Dental; Pension; Life Insurance

Quaker will provide or assist in providing medical/dental, pension, and life insurance coverage using Quaker's United States practices as general guidelines. Coverage may not be equal or equivalent.

Expenses

Quaker will reimburse Bregolato for reasonable expenses incurred in the conduct of business, including the installation of a telephone line, provided requests for reimbursement are properly documented, submitted, and approved.

Vacation

Allowable vacation time will be equal to thirty calendar days annually and compensation equal to half-month salary.

May 12, 1993

Mr. Daniel S. Ma
A-2 Hayden Court
25-27 South Bay Close
Hong Kong

Dear Daniel:

It is with great pleasure that I confirm our discussions, and the following represents our formal offer to you for the position of General Manager, Asia Pacific.

Base Salary

Your base salary for this position will be $110,000 USD, plus a cost-of-living (COL) adjustment of 10%. Total remuneration will be $121,000.

Incentive Compensation

Your incentive compensation target award will be 45% of your base salary or $49,500. Your target award weighting will be 35% Corporate, 35% Asia Pacific Operations, and 30% personal goals. Your guarantee for 1993 will be $15,000. An explanation of the plan is attached.

Automobile

You are authorized to purchase an automobile similar in class to the Toyota Camry with a target price of $30,000. The company will reimburse all operating expenses.

Housing

The company will pay for all rent, utilities, and maintenance fees generated from your housing. It is understood that you will contribute 12% of your base pay annually reflecting your contribution towards the housing expense.

PPG Sign-On Bonus

Quaker agrees to reimburse you up to a limit of $30,000 for any repayment of sign-up bonus to PPG subsequent to negotiations. Payment of this amount would be generated in response to a presentation of a formal PPG document requesting repayment of the sign-up bonus or a portion thereof.

American Club

The company agrees to compensate annual dues and appropriate business expenses for membership in the Hong Kong/American Club. Any utilization of the club for personal or private use will be at your expense.

Medical Assistance, Life and Disability Insurance

Under this Agreement, you will participate in the Quaker Flex-Benefit Plan to include medical, dental, disability, and life insurance. It is understood that under the Flex-Benefit Plan, there will be an employee co-pay requirement depending upon benefits selected.

Home Leave

One round trip per year for you and your wife will be provided tourist class to the United States.

Vacation

Four weeks annually.

Tax Equalization

You will be responsible for all U.S. taxes with Quaker reimbursing all non-U.S. tax liability, if any. Tax preparation will be provided for by Price Waterhouse.

Repatriation

At the end of the assignment or retirement, Quaker agrees to repatriate you and your family to the United States. Should you elect to leave Quaker prior to either of these events, Quaker will be absolved of any responsibility for repatriation payments.

This job offer is contingent upon your taking a company-paid physical and passing (negative result) a company-paid substance abuse (drug/alcohol) test. Please contact Cliff Montgomery (215/832-4140) to make arrangements.

This offer is being held exclusively for you until May 21, 1993. Please sign on the space indicated below and return to me.

If you have any questions, please do not hesitate to call Cliff or me. I am looking forward to hearing from you soon - at which time we will discuss potential starting dates and travel arrangements for your participation in our Global Meeting, June 26-30, at the Sagamore on Lake George, New York.

Sincerely yours,	Accepted:
S. W. W. Lubsen	------------------------------------ Daniel S. Ma

/np

cc:	K. K. Lam	-------------------------------------
	C. E. Montgomery	Date

financial review

1995 Annual Report

Quaker Chemical Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Notwithstanding the impact of lower operating results experienced in 1995, management continues to believe that the Company is in sound financial condition and is capable of generating adequate cash to meet the needs of current operations and to fund strategic initiatives.

Net cash flow provided by operating activities amounted to $7.3 million in 1995 compared to $4.4 million in 1994. The increase principally resulted from the receipt by a non-operating subsidiary of $2.5 million from an insurance carrier and a decrease in the amount of cash outlays associated with the 1993 repositioning program of approximately $1.8 million.

Other major sources and uses of cash during 1995 included: a cash receipt of $2.0 million related to the 1993 sale of certain of the Company's petroleum production chemical operations assets, the principal component of which was the SULFA-SCRUB(R) patents and technology; the purchase of a 90% interest in Celumi Ltda., a Brazilian metalworking business, for approximately $7.7 million; $9.8 million in expenditures for additions to property, plant, equipment and other assets; payments of $3.6 million for 250,000 outstanding shares of the Company's common stock as part of a share repurchase program; and investments and advances of approximately $2.0 million in the Company's Fluid Recycling Services Company ("FRS") joint venture. These items, along with increases in operating working capital, were the principal reasons for a decrease of $21.6 million in the Company's net cash position (cash and cash equivalents less short-term borrowings and current portion of long-term debt, notes payable and capital leases). The current ratio was 1.4 to 1 in 1995 as compared to 2.0 to 1 in 1994 reflecting the impact of the aforementioned changes in net cash and operating working capital.

Expenditures for property, plant and equipment in 1995 included upgrades of manufacturing capabilities at various locations and compliance programs relating to environmental and regulatory matters in the amount of $1.8 million. Capital expenditures for 1996 are expected to be in the range of $7-9 million and include various upgrades of manufacturing capabilities in the U.S. and Europe, and an estimated $1.6 million for environmental and regulatory compliance. The Company believes that funds generated internally should be sufficient to finance payments for capital expenditures.

The Company has $10 million in a line of credit and believes that additional bank borrowings could be negotiated at competitive rates, based on its debt-equity ratio and current levels of operating performance. The Company is capable of supporting its operating requirements during 1996, payment of dividends to shareholders, stock repurchases and possible acquisition opportunities through internally generated funds supplemented with debt as needed.

Operations

Comparison of 1995 with 1994

Consolidated net sales for 1995 increased $32.4 million (17%) over 1994. The sales growth was a result of (i) a 5% increase in volume, (ii) a 4% improvement in price/mix primarily resulting from a series of price increases, (iii) a 5% positive impact from currency translation (fluctuations in foreign currency exchange rates used to translate local currency statements to U.S. dollars), and (iv) a 3% increase associated with acquisitions in Europe and Brazil. The volume improvement for the year was attributable primarily to increased core market sales in Europe and continued sales growth in the Asia/Pacific steel and can markets. Sales in the major U.S. markets were strong in the first half of 1995, but slowed somewhat in the second half as customer production levels declined in order to work down earlier buildups of inventories. In Europe, sales were strong throughout most of the year (despite a strike in France in the latter part of the fourth quarter) due to the strength of the economies in that region.

Income from operations decreased from $15.2 million (after a $.5 million repositioning credit recorded in 1994) to $13.5 million in 1995. The decrease was due to a range of factors, the most significant of which were reduced margins associated with raw material cost inflation not covered by selling price increases, a less favorable sales mix, and increased expenses, particularly in the fourth quarter, related to staff reductions in some areas and regional growth initiatives in others. The Company's gross profit margin as a percentage of sales decreased 2.8% when compared to 1994 mainly as a result of the aforementioned raw material cost inflation, which did not show any abatement until well into the second half of 1995. Selling, administrative and general expenses as a percent of sales decreased 1.1% as the positive leverage effect of higher sales offset the above-noted increases in expenses.

Net interest costs rose due to increased financing costs associated with the decline in the Company's net cash position. The decrease in equity in net income from associated companies for both the fourth quarter and full year was due primarily to business development investments in the Company's relatively new FRS joint venture. The positive influence of currency translation on net income was approximately $.07 per share and $.01 per share in 1995 and 1994, respectively.

The Company is cautiously optimistic about customer production levels and anticipates that raw material inflation will be modest in 1996. However, the principal challenges still facing the Company are the highly competitive nature of the pricing environment in the Company's major markets and the effective management of the Company's FRS joint venture. Given these factors, the Company is in the process of evaluating alternatives to improve margins and the utilization of assets.

Comparison of 1994 with 1993

Consolidated net sales for 1994 were about even with 1993 as improved volume in core markets and an increase from 1993 acquisitions in France and Argentina fully offset the decrease in sales resulting from the divestiture of the Company's wholly-owned subsidiary, Quaker Construction Products, Inc. ("QCP"). The influence on net sales in 1994 of changes in price/mix and currency translation were negligible as a 1% reduction from price/mix was offset by a 1% increase from currency translation (fluctuations in foreign currency exchange rates used to translate local currency statements to U.S. dollars). The core market volume improvement was attributable primarily to increased customer production levels in the U.S. and Europe; synergistic benefits from a 1993 French metalworking company acquisition; increased revenue in the U.S. from total fluid and chemical management service contracts; and increased sales to the steel and can markets in the Asia/Pacific region. Sales to the major U.S. markets were steady throughout 1994. After a slow start, sales in Europe increased in the second half of the year, due in large part to the positive impact of the European economic recovery on steel and automotive production levels. Sales to the aircraft and aerospace industries were below 1993 due to continued low production levels.

Income from operations before repositioning (credits) charges improved $5.4 million (55%) over 1993. The improvement over 1993 reflects the positive impact of increased volume in core markets and benefits associated with the 1993 repositioning program. These positive impacts were tempered somewhat by investment costs related to the enhancement of marketing capabilities and infrastructure in the Asia/Pacific and South America regions, as well as raw material cost inflation, particularly in Europe, which became evident late in the year.

Pursuant to the plans identified in the Company's 1993 repositioning program, during 1994, the Company: substantially completed the consolidation of certain facilities in the United States and Europe; sold its manufacturing facilities in Pomona, California and Verona, Italy; divested the businesses of QCP; and achieved a majority of the workforce reductions outlined in the program. As of December 31, 1994, it was determined that the repositioning activities would be accomplished for less than originally anticipated and accordingly, the Company reduced operating expenses by $.5 million ($.3 million after tax or $.04 per share).

Operating margins, before repositioning (credits) charges, improved in 1994, when compared to 1993 as a result of the aforementioned increased volume in core markets and cost savings associated with the repositioning program. The estimated after-tax financial savings generated in 1994 due to the repositioning program was approximately $.20 per share. Other income rose primarily as a result of increased royalty income. Interest expense declined slightly due to reduced overall borrowings in 1994 while interest income declined due to lower cash holdings by the Company. The decrease in equity in net income from associated companies was due primarily to business development investments in the Company's FRS joint venture. The positive influence of currency translation on net income in 1994 was approximately $.01 per share as compared to a negative currency translation influence of $.09 per share in 1993.

General

The Company is involved in environmental clean-up activities or litigation in connection with existing plant locations and former waste disposal sites (see Note 11). This involvement has not historically had, nor is it expected to have, a material effect on the Company's results of operations or financial condition.

The Company does not use financial instruments which 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 44-55% of the dollar amount of consolidated sales. In the same period, these subsidiaries accounted for approximately 59-81% of consolidated operating profit (see Note 9). The greater profitability of non-U.S. sales during this period is attributable to higher unit selling prices and lower fixed overhead and selling costs.

Quaker Chemical Corporation

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,		
	1995	1994	*1993
	(Dollars in thousands except per share amounts)		
Net sales	$ 227,038	$ 194,676	$ 195,004
Other income, net (Note 1)	2,090	2,253	1,421
	229,128	196,929	196,425
Costs and expenses (Notes 1, 4 and 6):			
Cost of goods sold	135,490	110,732	112,369
Selling, administrative and general expenses	80,115	70,955	74,242
Repositioning (credits) charges (Note 2)		(525)	11,900
	215,605	181,162	198,511
Income (loss) from operations	13,523	15,767	(2,086)
Interest expense	(1,712)	(1,303)	(1,467)
Interest income	286	457	1,376
Income (loss) before taxes	12,097	14,921	(2,177)
Taxes on income (Note 5)	4,887	5,916	234
	7,210	9,005	(2,411)
Equity in net (loss) income of associated companies (Note 1)	(78)	779	1,001
Minority interest in net income of subsidiaries	(444)	(382)	(348)
Net income (loss)	$ 6,688	$ 9,402	$ (1,758)
Per share data (Note 1):			
Net income (loss)	$ .76	$ 1.03	$ (.19)
Dividends	.68	.63 1/2	.60 1/2

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

Quaker Chemical Corporation
CONSOLIDATED BALANCE SHEET

	December 31,	
	1995	1994
	(Dollars in thousands except per share amounts)	
Assets		
Current assets		
Cash and cash equivalents (Note 1)	$ 7,230	$ 11,345
Accounts receivable, less allowance for doubtful accounts of $939 in 1995 and $547 in 1994	46,965	43,841
Inventories (Notes 1 and 4)		
Raw materials and supplies	10,964	8,795
Work in process and finished goods	10,669	9,042
Deferred income taxes (Note 5)	1,415	1,576
Prepaid expenses and other current assets	9,475	8,801
Total current assets	86,718	83,400
Investments in and advances to associated companies (Notes 1 and 3)	10,715	9,885
Property, plant and equipment, at cost (Note 1)		
Land	7,279	6,702
Buildings and improvements	40,232	34,529
Machinery and equipment	70,010	63,403
Construction in progress	1,068	1,015
	118,589	105,649
Less accumulated depreciation	62,280	53,955
	56,309	51,694
Excess of cost over net assets of acquired companies (Note 1)	18,973	12,262
Deferred income taxes (Note 5)	5,349	4,971
Other noncurrent assets (Note 1)	7,344	7,960
	31,666	25,193

	$ 185,408	$ 170,172
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings and current portion of long-term debt, notes payable and capital leases (Note 7)	$ 25,548	$ 8,062
Accounts payable	20,969	20,575
Dividends payable	1,473	1,500
Accrued liabilities		
Compensation	5,671	5,174
Other (Note 2)	6,721	7,003
Accrued taxes on income (Note 5)	486	440
Total current liabilities	60,868	42,754
Long-term debt, notes payable and capital leases (Note 7)	9,300	12,207
Deferred income taxes (Note 5)	2,977	3,081
Accrued postretirement benefits (Note 6)	8,809	8,767
Other noncurrent liabilities (Note 2)	6,432	7,083
Total noncurrent liabilities	27,518	31,138
	88,386	73,892
Minority interest in equity of subsidiaries (Note 1)	3,030	2,603
Commitments and contingencies (Notes 1 and 11)		
Shareholders' equity (Note 8)		
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	780	649
Retained earnings	87,852	87,137
Unearned compensation	(722)	
Foreign currency translation adjustments	12,333	9,856
	109,907	107,306
Treasury stock, shares held at cost; 1995-999,924, 1994-844,691	15,915	13,629
	93,992	93,677
	$ 185,408	$ 170,172

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

Quaker Chemical Corporation
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	1995	1994	1993
	(Dollars in thousands)		
Cash flows from operating activities			
Net income (loss)	$ 6,688	$ 9,402	$ (1,758)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	6,764	6,524	6,545
Amortization	1,883	726	1,021
Equity in net loss (income) of associated companies	78	(779)	(1,001)
Minority interest in earnings of subsidiaries	444	382	348
Proceeds from insurance settlement	2,500		
Deferred income taxes	(499)	(159)	(491)
Deferred compensation and other postretirement benefits	(585)	(421)	254
Change in repositioning liability, net	(1,546)	(3,643)	9,700
Other, net	(464)	(485)	(181)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions and divestitures:			
Accounts receivable	(1,513)	(7,341)	1,490
Inventories	(2,771)	(2,126)	444
Prepaid expenses and other current assets	(2,389)	(1,837)	(3,331)
Accounts payable and accrued liabilities	(1,357)	4,211	4,018
Estimated taxes on income	58	(25)	(261)
Net cash provided by operating activities	7,291	4,429	16,797

Cash flows from investing activities			
Short-term investments		1,000	(854)
Dividends from associated companies	565	1,022	785
Investments in property, plant, equipment and other assets	(9,833)	(9,255)	(8,960)
Companies/businesses acquired excluding cash	(7,728)	(1,800)	(11,271)
Investments in and advances to associated companies	(1,970)	(4,482)	
Purchase of patent, production technology and other related assets			(854)
Proceeds from sale of patent, production technology and other assets	2,000	2,591	7,246
Proceeds from sale of subsidiary		10,864	
Other, net	(576)	463	(332)
Net cash (used in) provided by investing activities	(17,542)	403	(14,240)
Cash flows from financing activities			
Net increase in short-term borrowings	15,923	2,999	306
Notes payable and capital leases incurred	2,155		1,102
Repayment of long-term debt and capital leases	(3,857)	(3,904)	(2,997)
Dividends paid	(5,973)	(5,695)	(5,525)
Treasury stock issued	1,439	617	971
Treasury stock acquired	(3,594)	(8,241)	
Other			(17)
Net cash provided by (used in) financing activities	6,093	(14,224)	(6,160)
Effect of exchange rate changes on cash	43	1,444	(1,477)
Net decrease in cash and cash equivalents	(4,115)	(7,948)	(5,080)
Cash and cash equivalents at beginning of year	11,345	19,293	24,373
Cash and cash equivalents at end of year	$ 7,230	$ 11,345	$ 19,293
Supplemental cash flow information			
Cash paid during the year for:			
Income taxes	$ 5,048	$ 5,685	$ 5,535
Interest	1,776	1,419	1,448

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

Quaker Chemical Corporation

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common stock	Capital in excess of par value	Retained earnings	Unearned compensation	Foreign currency translation adjustments	Treasury stock	Total
			(Dollars in thousands except per share amounts)				
Balance at December 31, 1992	$ 9,664	$ 301	$ 90,834		$ 7,471	$ (6,628)	$101,642
Net loss			(1,758)				(1,758)
Dividends ($0.601/2 per share)			(5,578)				(5,578)
Shares issued upon exercise of options		(27)				109	82
Shares issued for employee stock purchase plan		196				528	724
Translation adjustment					(3,894)		(3,894)
Other		59				106	165
Balance at December 31, 1993	9,664	529	83,498		3,577	(5,885)	91,383
Net income			9,402				9,402
Dividends ($0.631/2 per share)			(5,763)				(5,763)
Shares acquired under repurchase program						(8,241)	(8,241)
Shares issued for employee stock purchase plan		106				409	515
Translation adjustment					6,279		6,279
Other		14				88	102
Balance at December 31, 1994	9,664	649	87,137		9,856	(13,629)	93,677
Net income			6,688				6,688
Dividends ($0.68 per share)			(5,973)				(5,973)
Shares acquired under repurchase program						(3,594)	(3,594)
Shares issued upon exercise of options		(141)				141	
Shares issued for employee stock purchase plan		68				370	438
Restricted stock bonus		175		$ (722)		700	153
Translation adjustment					2,477		2,477
Other		29				97	126
Balance at December 31, 1995	$ 9,664	$ 780	$ 87,852	$ (722)	$ 12,333	$(15,915)	$ 93,992

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

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

All majority-owned subsidiaries are included in Quaker Chemical Corporation's (the "Company's") consolidated financial statements, with appropriate elimination of intercompany balances and transactions. The consolidated balance sheet includes total assets of $103,307 and $86,723 and total liabilities of $27,995 and $21,705 in 1995 and 1994, respectively, of non-U.S. subsidiaries. The consolidated statement of operations includes net income of non-U.S. subsidiaries of $7,290, $4,372, and $3,729 in 1995, 1994, and 1993, respectively. Investments in associated (less than majority owned) companies are stated at the Company's equity in their underlying net assets.

Translation of foreign currency

Assets and liabilities of non-U.S. subsidiaries and associated companies are translated into U.S. dollars at the respective rates of exchange prevailing at the end of the year. Income and expense accounts are translated at average exchange rates prevailing during the year. Translation adjustments resulting from this process are recorded directly in shareholders' equity and will be included in income only upon sale or liquidation of the underlying investment.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories of the parent company are valued at the lower of cost or market value, with cost determined using the last-in, first-out (LIFO) method. Inventories of subsidiaries are valued primarily at first-in, first-out cost, but not in excess of market value.

Property, plant and equipment

Property, plant and equipment are recorded at cost, and capital leases are recorded at the present value of future minimum lease payments. Depreciation is computed using the straight-line method on an individual asset basis over the following estimated useful lives: buildings and improvements, 10 to 45 years; machinery and equipment, 3 to 15 years; and capital leases are depreciated over the remaining life of the lease. At December 31, 1995 and 1994, $1,214 of leased equipment and accumulated depreciation thereon in the amount $1,006 and $848 in 1995 and 1994, respectively, are included in property, plant and equipment.

Expenditures for renewals and betterments which increase the estimated useful life or capacity of the assets are capitalized; expenditures for repairs and maintenance are charged to income.

Excess of cost over net assets of acquired companies and other noncurrent assets

Excess of cost over net assets of acquired companies and other noncurrent assets consist primarily of intangible assets arising from acquisitions, which are being amortized on a straight-line basis over periods of 5 to 40 years (5 to 20 years on acquisitions subsequent to 1991). At December 31, 1995 and 1994, accumulated amortization of the excess of cost over net assets of acquired companies amounted to $2,476 and $1,754, respectively.

Capitalization of software

The Company capitalizes certain computer software costs which are amortized utilizing the straight-line method over their estimated economic lives, not to exceed three years. At December 31, 1995 and 1994, the amount capitalized was $3,369 and $2,495 and accumulated amortization amounted to $788 and $0, respectively.

Pension and postretirement benefit plans

The Company's policy is to fund pension costs allowable for income tax purposes. See Note 6 for the accounting policies for pension and other postretirement benefits.

Revenue recognition

Sales are recorded primarily when products are shipped to customers. Other income, principally license fees and royalties offset by miscellaneous expenses, is recorded when earned. License fees from nonconsolidated non-U.S. associates and royalties from third parties amounted to $2,293, $2,364, and $1,706 in 1995, 1994 and 1993, respectively.

Research and development costs

Research and development costs are expensed as incurred. Company-sponsored research and development expenses during 1995, 1994 and 1993 were $11,307, $9,919, and $11,037, respectively.

Earnings per share

Earnings per share calculations are based on the weighted average number of shares outstanding during the year.

Concentration of credit risk

Financial instruments, which potentially subject the Company to a concentration of credit risk, principally consist of cash equivalents, short-term investments, and trade receivables. The Company invests temporary and excess cash in money market securities and financial instruments having maturities typically within 90 days. The Company has not experienced losses from the aforementioned investments. The Company sells its principal products to the major steel, automotive and related companies around the world. The Company maintains allowances for potential credit losses. Historically, the Company has experienced some losses related to bankruptcy proceedings of major steel companies in the U.S.; however, such losses have not been material.

Environmental liabilities and expenditures

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties and are not discounted. Environmental costs and remediation costs are capitalized if the costs increase the value of the property from the date acquired or constructed and/or mitigate or prevent contamination in the future.

Reclassifications

Certain reclassifications of prior years' data have been made to improve comparability.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Differences from those estimates are recorded in the period they become known.

Income taxes

Income taxes are provided in accordance with Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes."

Accounting standards change

In March 1995, the Financial Accounting Standards Board issued SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This standard specifies when assets should be reviewed for impairment, how to determine if an asset is impaired, how to measure an impairment loss, and what disclosures are necessary in the financial statements. The Company expects to adopt SFAS 121, effective January 1, 1996, and has no current plans which would cause it to have a material impact on the Company's results of operations or financial condition.

The Company expects to adopt SFAS 123, "Accounting for Stock-Based Compensation" effective January 1, 1996, and to continue to measure compensation cost for stock options and awards based on intrinsic value under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." Accordingly, the adoption of SFAS 123 will have no impact on the Company's results of operations or financial condition.

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NOTE 2--REPOSITIONING OF OPERATIONS

In 1993, in response to changing economic and competitive market dynamics, the Company implemented a broad scope program of changes designed to improve operating efficiency. The repositioning program included activities associated with the consolidation of certain of the Company's facilities; closure and sale of the Company's manufacturing facilities in Pomona, California and Verona, Italy; the divestiture of nonstrategic business operations; and workforce reductions. The consolidated statement of operations for 1993 included charges before income taxes of $11,900 ($7,854 after tax, or $.85 per share) related to this program. Of the total 1993 charges, $5,200 related to the workforce reductions, while the remaining $6,700 provided for the other aspects of the program. The cash outlays in 1993 associated with the program were approximately $2,200. As of December 31, 1993, approximately $7,600 and $2,100 remained in accrued liabilities and other noncurrent liabilities, respectively.

During 1994, the Company substantially completed the consolidation of certain facilities in the United States and Europe; sold its manufacturing facilities in Pomona, California and Verona, Italy; divested the businesses of QCP; and achieved a majority of the workforce reductions outlined in the 1993 program. As of December 31, 1994, it was determined that the repositioning activities would be accomplished for less than originally anticipated and accordingly, the Company reduced operating expenses by $525 ($347 after tax, or $.04 per share). The cash outlays in 1994 associated with the program were approximately $3,300. As of December 31, 1994, approximately $1,800 and $2,000 remained in accrued liabilities and other noncurrent liabilities, respectively. These future cash outlays primarily represented termination benefits related to the workforce reductions.

The Company's cash outlays associated with the program in 1995 were approximately $1,500. As of December 31, 1995, future cash outlays of approximately $600 and $1,700 remained in accrued liabilities and other noncurrent liabilities, respectively, and principally consist of payments for termination benefits related to the workforce reductions.

NOTE 3--ASSOCIATED COMPANIES

Summarized financial information of the associated companies (less than majority owned), in the aggregate, for 1995, 1994 and 1993 is as follows:

	1995	1994	1993
Current assets....................................	$22,319	$25,377	$22,515
Noncurrent assets.................................	8,273	8,960	2,643
Current liabilities...............................	14,136	15,030	12,888
Noncurrent liabilities............................	1,806	1,111	950
Net sales...	$54,710	$49,949	$52,028
Operating income (a)..............................	2,689	4,293	5,654
Income before taxes...............................	929	3,242	4,287
Net income..	9	1,725	2,165

(a) Net sales, less costs and expenses.

NOTE 4--INVENTORIES

Inventories valued under the last-in, first-out method amounted to $6,387 and $4,913 at December 31, 1995 and 1994, respectively. The estimated replacement costs for these inventories using the first-in, first-out method were approximately $7,259 and $6,407, respectively.

NOTE 5--TAXES ON INCOME

Taxes on income included in the consolidated statement of operations consist of the following for the year ended December 31:

	1995	1994	1993
Current			
Federal..........................	$ 872	$1,708	$(2,908)
State............................	53	122	144
Foreign..........................	4,399	4,984	3,489
	5,324	6,814	725
Deferred			
Federal..........................	103	(495)	(478)
State............................			
Foreign..........................	(540)	(403)	(13)
Total............................	$4,887	$5,916	$ 234

Total deferred tax assets and liabilities are comprised of the following at December 31:

	1995 Current	1995 Non-current	1994 Current	1994 Non-current
Retirement benefits	$ 238		$ 81	
Allowance for doubtful accounts	183		82	
Insurance and litigation reserves	647		350	
Postretirement benefits		$ 2,995		$ 2,981
Supplemental retirement benefits		637		568
Alternative minimum tax carryforward		432		432
Amortization		524		
Repositioning charges	151	622	997	775
Other	196	139	66	215
Total deferred tax assets	$ 1,415	$ 5,349	$ 1,576	$ 4,971
Depreciation		$ 2,829		$ 2,868
Other		148		213
Total deferred tax liabilities		$ 2,977		$ 3,081

The following is a reconciliation of income taxes at the Federal statutory rate with income taxes recorded by the Company for the year ended December 31:

	1995	1994	1993
Income tax provision (benefit) at the Federal statutory tax rate	$ 4,113	$ 5,073	$ (740)
State income tax provisions, net	35	81	98
Prior year tax settlement		710	
Non-deductible divestiture charges	503		
Foreign taxes on earnings at rates different than the Federal statutory rate	30	143	723
Miscellaneous items, net	206	(91)	153
Taxes on income	$ 4,887	$ 5,916	$ 234

United States income taxes have not been provided on the undistributed earnings of non-U.S. subsidiaries since it is the Company's intention to continue to reinvest these earnings in those subsidiaries for working capital and expansion needs. The amount of such undistributed earnings at December 31, 1995 was approximately $63,000. Any income tax liability which might result from ultimate remittance of these earnings is expected to be substantially offset by foreign tax credits.

The benefits of net operating loss carryforwards approximating $1,200, expiring in 1996 and later, have been recorded.

NOTE 6--EMPLOYEE BENEFITS

Pension plans

The Company maintains various noncontributory retirement plans covering substantially all of its employees in the U.S. and certain other countries. The benefits for the plans are based on a number of factors, the most significant of which are years of service and levels of compensation either during employment or near retirement. With the exception of the Company's Netherlands subsidiaries, the retirement plans of the non-U.S. subsidiaries are, for the most part, either fully insured or integrated with the local governments' plans and are not subject to the provisions of SFAS 87, "Employers' Accounting for Pensions."

On January 1, 1995, after determining that the plans of the Company's subsidiaries in the Netherlands are subject to the provisions of SFAS 87, the Company commenced reporting under the current accounting standard for these subsidiaries. The effect of this was not material.

The pension costs for all plans include the following components:

	1995	1994	1993
Service cost--benefits earned during the period	$ 1,149	$ 880	$ 809
Interest cost on projected benefit obligation	3,314	2,449	2,335
Net investment (income) loss on plan assets:			
Actual	(7,837)	(283)	(2,820)
Deferral of difference between actual and expected income	4,373	(2,576)	98
Other amortization, net	(320)	(63)	(110)
Net pension costs of plans subject to SFAS 87	679	407	312
Pension costs of plans not subject to SFAS 87	98	962	904
Total pension costs	$ 777	$ 1,369	$ 1,216

The following table summarizes the funded status of the Company's defined benefit pension plans, the largest of which is in the U.S., and the related amounts recognized in the Company's consolidated balance sheets as of December 31:

	1995		1994(b)	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets(a)	Assets exceed accumulated benefits	Accumulated benefits exceed assets(a)
Actuarial present value of:				
Vested benefit obligation	$39,839	$ 2,556	$26,479	$ 2,492
Accumulated benefit obligation	$40,026	$ 2,640	$26,674	$ 2,492
Projected benefit obligation (PBO)	44,788	2,817	29,608	2,669
Plan assets at market value	47,857		29,290	
Plan assets greater (less) than PBO	3,069	(2,817)	(318)	(2,669)
Unrecognized cumulative net (gain) loss	(1,792)	961	(215)	1,005
Unrecognized prior service costs	1,722		1,828	
Unrecognized transition obligation	(4,041)	(7)	(1,916)	18
Accrued pension costs	$ (1,042)	$(1,863)	$ (621)	$(1,646)

(a) Substantially all of this relates to nonqualified, unfunded supplemental pension plans.

(b) Does not include amounts relating to the Netherlands subsidiaries' plans, for which information is not available.

The U.S. funded plan is the largest plan. The significant assumptions for the U.S. plan were as follows:

	1995	1994	1993
Discount rate for projected benefit obligation	7.375%	8.0%	7.5%
Assumed long-term rates of compensation increases	5.5%	5.5%	5.5%
Long-term rate of return on plan assets	9.25%	9.25%	9.5%

All other pension plans used assumptions in determining the actuarial present value of the projected benefit obligations that are consistent with (but not identical to) those of the U.S. plan.

Profit sharing plan

The parent company also maintains a qualified profit sharing plan covering all employees other than those who are compensated on a commission basis. Contributions for 1994 were $367. No contributions were made in 1995 or 1993.

Other postretirement and postemployment benefits

The Company has postretirement benefit plans that provide medical and life insurance benefits for certain retired employees of the parent company. These benefits vary based on age, years of service and retirement date. Coverage of health benefits under the plan may require the retiree to make payments where the insured equivalent costs exceed the Company's fixed contribution. The cost of the life insurance benefit plan, which provides a flat two thousand dollars per retiree, is noncontributory. Both the medical and life insurance plans are currently unfunded.

The components of periodic postretirement benefit costs are as follows:

	1995	1994	1993
Service cost--benefits attributed to service during the period	$ 65	$ 67	$ 79
Interest cost on accumulated benefit obligation and amortization	594	572	650
Postretirement benefit cost	$659	$ 639	$ 729

The status of the plan at December 31, 1995 and 1994 is as follows:

	1995	1994
Retirees	$6,877	$6,542
Fully eligible active participants	59	71
Other participants	1,199	1,265
Total accumulated postretirement benefit obligation	8,135	7,878
Unrecognized actuarial gain	674	889
Net unfunded postretirement benefit liability	$8,809	$8,767

The discount rate used in determining the accumulated postretirement benefit obligation was 7.375% and 8.0% in 1995 and 1994, respectively.

In valuing costs and liabilities, different health care cost trend rates were used for retirees under and over age 65. The average assumed rate for medical benefits for all retirees was 8.5% in 1995 - gradually decreasing to 5.5% over 11 years. A 1% increase in the health care cost trend rate would increase aggregate service cost for 1995 by $39 and the accumulated postretirement benefit obligation as of December 31, 1995 by $508.

The parent company maintains a plan under which the Company will provide, in certain cases, supplemental retirement benefits to officers of the parent company. Benefits payable under the plan are based on a combination of years of service and existing postretirement benefits. Included in total pension costs are charges of $276, $353, and $270 in 1995, 1994 and 1993, respectively, representing the annual accrued benefits under this plan.

Effective January 1, 1993, the Company adopted the provisions of SFAS 112, "Employer's Accounting for Postemployment Benefits." The cumulative effect of adoption of SFAS 112 was not material.

NOTE 7--DEBT, NOTES PAYABLE AND CAPITAL LEASES

Long-term debt, notes payable and capital leases consisted of the following at December 31:

	1995	1994
Industrial development authority monthly floating rate (4.0% at December 31, 1995) demand bonds maturing 2014	$ 5,000	$ 5,000
6.64% notes payable due July 8, 1997	6,667	10,000
Notes payable due 1996 to 1997	2,126	
Capital leases	112	476
Other debt obligations due 1996 to 1997, interest rates ranging to 10.8%	394	428
	14,299	15,904
Less current portion	4,999	3,697
	$ 9,300	$12,207

The 6.64% notes payable require semiannual principal payments of $1,667 beginning July 8, 1993 through 1997. The long-term financing agreements require the maintenance of certain financial covenants of which the Company is in compliance. The notes payable due in 1996 and 1997 are non-interest bearing and are payable in three equal installments.

During the next five years, payments on long-term debt and notes payable are due as follows: $4,999 and $4,300 in 1996 and 1997, respectively, and $0 in 1998, 1999, and 2000.

At December 31, 1995, the Company had outstanding short-term borrowings with banks under non-confirmed lines of credit in the aggregate of $20,549. The weighted average interest rate on such borrowings was 6.0% during 1995. The parent company also has available a $10,000 unsecured line of credit that is renewed annually. Any borrowings under this line of credit will be at the bank's most competitive rate of interest in effect at the time.

At December 31, 1995 and 1994, the value at which the financial instruments are recorded is not materially different than the fair market value.

NOTE 8--SHAREHOLDERS' EQUITY

Treasury stock is held for use by the various Company plans which require the issuance of the Company's common stock.

The Company is authorized to issue 10,000,000 shares of preferred stock, $1.00 par value, subject to approval by the Board of Directors. The Board of Directors may designate one or more series of preferred stock and the number of shares, rights, preferences and limitations of each series. No preferred stock has been issued.

Under provisions of a stock purchase plan which permits employees to purchase shares of stock at 85% of the market value, 26,933 shares, 29,736 shares, and 38,399 shares were issued from treasury in 1995, 1994 and 1993, respectively. The number of shares that may be purchased by an employee in any year is limited by factors dependent upon the market value of the stock and the employee's base salary. At December 31, 1995, 190,247 shares are available for purchase under the plan.

The Company has a long-term performance incentive plan for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Most options are exercisable one year after the date of the grant for a period of time determined by the Company not to exceed ten years from the date of the grant.

The table below summarizes transactions in the plan during 1995, 1994 and 1993.

	1995		1994		1993	
	Number of shares	Option price per share	Number of shares	Option price per share	Number of shares	Option price per share
Options outstanding at January 1...........	633,087	$11.00--$24.20	626,534	$11.00--$24.20	425,776	$11.00--$19.75
Options granted..........	459,056	$18.63--$22.50	6,553	$15.75--$15.88	214,444	$21.00--$24.20
Options exercised........	(44,842)	$12.50--$17.75			(13,686)	$12.50--$19.75
Options expired..........	(151,697)	$17.75--$22.00				
Options outstanding at December 31,........	895,604	$11.00--$24.20	633,087	$11.00--$24.20	626,534	$11.00--$24.20
Options exercisable at December 31,........	486,548	$11.00--$24.20	626,534	$11.00--$24.20	412,090	$11.00--$19.75

Options were exercised for cash and the surrender of 34,555 and 5,739 previously outstanding shares in 1995 and 1993, respectively, resulting in the net issuance of 10,287 shares in 1995 and 7,947 shares in 1993. No options were exercised in 1994. Options to purchase 319,947 shares were available at December 31, 1995 for future grants.

The plan also provides for the issuance of performance incentive units, the value of which is determined based on operating results over a four-year period. The effect on operations of the change in the estimated value of incentive units during the year was zero in 1995, 1994 and 1993, respectively.

On February 7, 1990, the Company declared a dividend distribution to shareholders of record on February 20, 1990 which, after giving effect for the three-for-two stock split effective July 30, 1990, was in the form of two stock purchase rights (the "Rights") for each three shares of common stock outstanding. The Rights become exercisable if a person or group acquires or announces a tender offer which would result in such person's acquisition of 20% or more of the Company's common stock. The Rights also become exercisable if the Board of Directors declares a person to be an "adverse person" and that person has obtained not less than 10% of the outstanding shares of the Company's common stock.

Each Right, when exercisable, entitles the registered holder to purchase one one-hundredth of a share of a newly authorized Series A preferred stock at an exercise price of seventy-two dollars per share subject to certain anti-dilution adjustments. In addition, if a person or group acquires 20% or more of the outstanding shares of the Company's common stock, without first obtaining Board of Directors' approval, as required by the terms of the Rights Agreement, or a person is declared an adverse person, each Right will then entitle its holder (other than such person or members of any such group) to purchase, at the Right's then current exercise price, a number of shares of the Company's common stock having a total market value of twice the Right's exercise price.

In the event that the Company merges with or transfers 50% or more of its assets or earnings to any entity after the Rights become exercisable, holders of Rights may purchase, at the Right's then current exercise price, common stock of the acquiring entity having a value equal to twice the Right's exercise price.

In addition, at any time after a person acquires 20% of the outstanding shares of common stock and prior to the acquisition by such person of 50% or more of the outstanding shares of common stock, the Company may exchange the Rights (other than the Rights which have become null and void), in whole or in part, at an exchange ratio of one share of common stock or equivalent share of preferred stock, per Right.

The Board of Directors can redeem the Rights for $.01 per Right at any time prior to the acquisition by a person or group of beneficial ownership of 20% or more of the Company's common stock or a person being declared an adverse person. Until a Right is exercised, the holder thereof will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends. Unless earlier redeemed or exchanged, the Rights will expire on February 20, 2000.

Restricted stock bonus

The Company has granted an initial stock bonus of 50,000 shares of the Company's common stock to its chief executive officer of which 5,000 shares were paid to him immediately, and the balance of the shares were registered in his name and are being held by the Company for delivery to him in installments of 15,000 shares each on October 2, 1996, 1997, and 1998 if he is employed by the Company on those dates.

The remaining shares subject to forfeiture provisions have been recorded as unearned compensation and are presented as a separate component of shareholders' equity. The unearned compensation is being charged to selling, administrative and general expenses over the three-year vesting period and was $153 in 1995.

NOTE 9--BUSINESS SEGMENTS

The Company operates primarily in one business segment--the manufacture and sale of industrial chemical specialty products. The Company has both U.S. and non-U.S. operations which are summarized for 1995, 1994 and 1993 as follows:

	1995	1994	1993
Net sales			
United States	$102,651	$ 97,338	$110,067
Europe	99,222	80,624	74,090
Asia/Pacific	18,715	14,912	10,702
South America	6,450	1,802	145
Consolidated	$227,038	$194,676	$195,004
Income (loss) before taxes			
United States	$ 3,357	$ 7,960	$ 5,164
Europe	13,344	11,076	10,745
Asia/Pacific	2,214	1,630	844
South America	(1,188)	(1,163)	(192)
Operating profit	17,727	19,503	16,561
Repositioning credits (charges)		525	(11,900)
Nonoperating expenses	(5,630)	(5,107)	(6,838)
Equity in net (loss) income of associated companies	(78)	779	1,001
Minority interest in net income of subsidiaries	(444)	(382)	(348)
Consolidated	$ 11,575	$ 15,318	$ (1,524)
Identifiable assets			
United States	$ 52,262	$ 51,255	$ 70,889
Europe	66,498	65,845	55,427
Asia/Pacific	11,246	8,685	6,350
South America	3,989	1,426	638
Investments in associated companies	10,715	9,885	6,224
Nonoperating assets	40,698	33,076	31,457
Consolidated	$185,408	$170,172	$170,985

Transfers between geographic areas are not material. Operating profit comprises revenue less related costs and expenses. Nonoperating expenses primarily consist of general corporate expenses identified as not being a cost of operations, interest expense, interest income and license fees from nonconsolidated associates. Nonoperating assets, consisting primarily of cash equivalents and short-term investments, have not been included with identifiable assets. No single customer accounted for 10% of net sales in 1995, 1994 or 1993. A substantial portion of consolidated sales on a global basis are made to the steel industry (see Classification of Products by Markets Served), and as a result, accounts receivable generally reflect a similar distribution of receivables from customers in these markets.

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NOTE 10--BUSINESS ACQUISITIONS AND DIVESTITURES

During the three years ended December 31, 1995, the Company completed the acquisitions or divestitures set forth below. Each acquisition was accounted for as a purchase, and, accordingly, the purchase price has been allocated where appropriate between the fair value of identifiable net assets acquired and the excess of cost over net assets of acquired companies. The consolidated financial statements include the operating results of each business acquired from the date of acquisition. Pro forma results of operations have not been presented for any of the acquisitions or divestitures because the effects of these transactions were not material.

Effective May 31, 1995, the Company acquired 90% of the common stock of Celumi S.A., a metalworking chemical specialty business in Brazil for approximately $7,700 in cash and notes. The excess of cost over the estimated fair value of net assets acquired amounted to approximately $6,500 which has been accounted for as goodwill and is being amortized over 20 years.

On March 29, 1995, the Company entered into an agreement with Wuxi Oil Refinery, for the creation of a joint venture in The People's Republic of China. The Company's initial contribution to the venture, which was partially funded in 1995, will be less than a $1,000 in cash and certain assets related to the formulation, manufacture and sale of chemical specialty products for the steel industry.

Effective December 28, 1994, the Company acquired for approximately $1,800 in cash certain assets relating to the formulation, manufacture, and sale of cutting fluids from Perstorp AB, a Swedish company.

Pursuant to the plans identified in the Company's 1993 repositioning program (see Note 2), the sales of certain of the Company's businesses and assets were completed in 1994. Effective November 7, 1994, the Company completed

the sale of the flooring business of QCP for approximately $2,800. In addition, effective October 20, 1994 and October 1, 1994, respectively, the Company completed the sale of its Verona, Italy and Pomona, California manufacturing facilities, which had ceased production in 1993 and mid-1994, for approximately $2,600 in cash and $200 due within one year. Effective September 30, 1994, the Company completed the sale of the coatings and waterproofing business of QCP for approximately $8,100.

On March 24, 1994, the Company entered into an agreement with Fluid Recycling Services, Incorporated for the creation of a 50/50 joint venture. During 1994 and 1995, the Company made cash investments and advances of approximately $4,500 and $2,000, respectively, with additional investments expected over the next few years based on the growth of the venture.

Effective May 14, 1993, the Company acquired for approximately $10,700 in cash 100% of the common stock of Raffineries de l'Ile de France (RIF), a metalworking chemical specialty business in France. The excess of cost over the estimated fair value of net assets acquired amounted to approximately $5,700 million which has been accounted for as goodwill and is being amortized over 20 years.

As part of a plan to exit from the petroleum production chemicals market, effective July 27, 1993, the Company completed the sale of its petroleum production chemical operations' assets, the principal component of which was the SULFA-SCRUB(R) patents and technology, to the Petrolite Corporation for $6,500 in cash, $2,000 due within three years and future royalty payments. In addition, the agreement of sale provides that the Petrolite Corporation grant back to the Company a license to sell products incorporating the technology in certain markets not serviced by the Petrolite Corporation.

NOTE 11--COMMITMENTS AND CONTINGENCIES

A wholly-owned non-operating subsidiary of the Company is a co-defendant in claims filed by multiple claimants alleging injury due to exposure to asbestos. Although there can be no assurance regarding the outcome of existing claims proceedings, the subsidiary believes that it has made adequate accruals for all potential uninsured liabilities related to claims of which it is aware. At December 31, 1995, the subsidiary has accrued approximately $500 to provide for anticipated uninsured claims-related liabilities. In addition, in 1995 the subsidiary received a cash payment of $2,500 from one of its insurance carriers in settlement over certain disputed coverage.

The Company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. In 1994, the Company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly-owned subsidiary. Pursuant to a plan submitted to and approved by the Santa Ana California Regional Water Quality Board, a remediation effort was undertaken by ACP during 1995. The Company believes that the potential uninsured liability associated with the completion of the remediation effort ranges from $800 to $1,100, for which the Company has accrued approximately $800. 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. At December 31, 1995 and 1994, the Company has accrued approximately $600 and $400, respectively, to provide for such anticipated future environmental assessments and remediation costs.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of Quaker Chemical Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Quaker Chemical Corporation (the "Company") and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Thirty South Seventeenth Street
Philadelphia, Pennsylvania 19103
February 21, 1996

Quaker Chemical Corporation
ELEVEN-YEAR FINANCIAL SUMMARY

(Dollars in thousands except per share data and number of employees)	1995	1994(1)	1993(2)
Summary of Operations			
Net sales	$ 227,038	$ 194,676	$ 195,004
Income (loss) before taxes and cumulative effect of change in accounting principle	11,575	15,318	(1,524)
Cumulative effect of change in accounting for postretirement benefits			
Net income (loss)	6,688	9,402	(1,758)
Per share (3)			
Income (loss) before cumulative effect of change in accounting principle	.76	1.03	(.19)
Cumulative effect of change in accounting for postretirement benefits			
Net income (loss)	.76	1.03	(.19)
Dividends	.68	.63 1/2	.60 1/2
Financial Position			
Current assets	86,718	83,400	84,387
Current liabilities	60,868	42,754	42,642
Working capital	25,850	40,646	41,745
Property, plant and equipment, net	56,309	51,694	55,541
Total assets	185,408	170,172	170,985
Long-term debt, notes payable and capital leases	9,300	12,207	16,095
Shareholders' equity	93,992	93,677	91,383
Other Data			
Current ratio	1.4/1	2.0/1	2.0/1
Capital expenditures (4)	9,833	9,255	8,960
Net income (loss) as a % of net sales (5)	2.9%	4.8%	(0.9)%
Return on average shareholders' equity (5)	7.1%	10.2%	(1.8)%
Shareholders' equity per share at end of year (3)	10.85	10.62	9.89
Common stock price per share range (3):			
High	19	19 1/2	24 5/8
Low	11	14 3/4	14 1/4
Number of shares outstanding at end of year (3)	8,664	8,819	9,242
Number of employees at end of year:			
Consolidated subsidiaries	870	743	865
Associated companies	235	212	141

	1992	1991	1990	1989
Summary of Operations				
Net sales	$ 212,491	$ 191,051	$ 201,474	$ 181,660
Income (loss) before taxes and cumulative effect of change in accounting principle	19,045	16,888	22,580	19,647
Cumulative effect of change in accounting for postretirement benefits		(5,675)		
Net income (loss)	12,098	5,115	14,106	12,840
Per share (3)				
Income (loss) before cumulative effect of change in accounting principle	1.33	1.20	1.51	1.35
Cumulative effect of change in accounting for postretirement benefits		(.63)		
Net income (loss)	1.33	.57	1.51	1.35
Dividends	.57	.53	.47	.41
Financial Position				
Current assets	85,567	82,725	84,833	75,427
Current liabilities	28,126	36,592	40,342	27,848
Working capital	57,441	46,133	44,491	47,579
Property, plant and equipment, net	52,179	48,661	46,315	36,539
Total assets	166,613	159,121	152,408	131,430
Long-term debt, notes payable and capital leases	18,604	5,219	5,453	5,665
Shareholders' equity	101,642	98,898	99,113	90,440
Other Data				
Current ratio	3.0/1	2.3/1	2.1/1	2.7/1
Capital expenditures (4)	7,226	8,420	12,663	7,553
Net income (loss) as a % of net sales (5)	5.7%	5.6%	7.0%	7.1%
Return on average shareholders' equity (5)	12.1%	10.9%	14.9%	14.8%
Shareholders' equity per share at end of year (3)	11.06	10.95	11.11	9.55
Common stock price per share range (3):				
High	26	22 1/4	19 1/4	15 5/8

Low	18 3/4	15	12	12 1/2
Number of shares outstanding at end of year (3)	9,188	9,028	8,921	9,473
Number of employees at end of year:				
Consolidated subsidiaries	842	840	819	829
Associated companies	130	187	261	154

	1988	1987	1986	1985
Summary of Operations				
Net sales	$166,662	$147,455	$128,059	$122,745
Income (loss) before taxes and cumulative effect of change in accounting principle	18,939	17,511	14,103	12,872
Cumulative effect of change in accounting for postretirement benefits				
Net income (loss)	11,731	10,423	8,530	7,580
Per share (3)				
Income (loss) before cumulative effect of change in accounting principle	1.21	1.05	.84	.73
Cumulative effect of change in accounting for postretirement benefits				
Net income (loss)	1.21	1.05	.84	.73
Dividends	.37	.34	.29	.26
Financial Position				
Current assets	69,326	66,633	58,460	57,529
Current liabilities	26,924	29,447	16,207	19,440
Working capital	42,402	37,186	42,253	38,089
Property, plant and equipment, net	32,821	32,622	29,472	24,612
Total assets	121,125	118,367	98,512	93,891
Long-term debt, notes payable and capital leases	5,000	5,000	8,735	9,025
Shareholders' equity	82,884	78,079	66,654	59,200
Other Data				
Current ratio	2.6/1	2.3/1	3.6/1	3.0/1
Capital expenditures (4)	5,295	3,705	5,223	6,139
Net income (loss) as a % of net sales (5)	7.0%	7.1%	6.7%	6.2%
Return on average shareholders' equity (5)	14.6%	14.4%	13.6%	14.0%
Shareholders' equity per share at end of year (3)	8.57	8.08	6.71	5.67
Common stock price per share range (3):				
High	16 1/8	18	13 5/8	9 1/8
Low	11 3/8	9	8	6
Number of shares outstanding at end of year (3)	9,669	9,644	9,935	10,440
Number of employees at end of year:				
Consolidated subsidiaries	832	824	795	785
Associated companies	150	140	134	136

(1) The results of operations for 1994 include net repositioning credits of $347 or $0.04 per share. Excluding these credits, net income for 1994 was $9,055 or $0.99 per share.

(2) The results of operations for 1993 include net repositioning charges of $7,854 or $0.85 per share. Excluding these charges, net income for 1993 was $6,096 or $0.66 per share.

(3) Restated to give retroactive effect to a three-for-two split in 1990.

(4) Capital expenditures prior to 1986 are stated net of dispositions.

(5) Calculated for 1991 using $10,790 which is the net income before the cumulative effect of change in accounting principle.

SUPPLEMENTAL FINANCIAL INFORMATION

Classification of Products by Markets Served (unaudited)

Consolidated net sales comprise chemical specialty and other products classified by markets served as follows:

	(Dollars in thousands)									
	1995		1994		1993		1992		1991	
Steel	$103,765	46%	$ 90,549	47%	$ 89,255	46%	$ 94,483	44%	$ 78,357	41%
Metalworking	85,949	38	68,576	35	57,826	30	58,719	28	51,106	27
Pulp and paper	16,049	7	13,010	7	12,169	6	15,042	7	16,760	9
Other	21,275	9	22,541	11	35,754	18	44,247	21	44,828	23

$227,038	100%	$194,676	100%	$195,004	100%	$212,491	100%	$191,051	100%

Information on Quaker's markets appears on the inside front cover of this report.

Quarterly Results (unaudited)

(Dollars in thousands except per share data)	First	Second	Third	Fourth
1995				
Net sales	$54,527	$59,035	$57,872	$55,604
Operating income (1)	3,282	3,770	3,408	973
Net income	1,915	2,471	2,099	203
Net income per share	$.22	$.28	$.24	$.02
1994				
Net sales	$45,093	$47,347	$50,117	$52,119
Operating income (1 and 2)	3,356	3,213	3,754	3,191
Net income	2,249	2,191	2,353	2,609
Net income per share	$.24	$.24	$.26	$.29
1993				
Net sales	$48,361	$51,343	$48,441	$46,859
Operating income (loss) (1 and 3)	3,594	(919)	1,092	(7,274)
Net income (loss)	2,724	(449)	730	(4,763)
Net income (loss) per share	$.30	$(.05)	$.08	$(.52)

(1) Net sales, less costs and expenses.

(2) The fourth quarter includes repositioning credits of $525.

(3) The second and fourth quarters include repositioning charges of $3,500 and $8,400, respectively.

Stock Market and Related Security Holder Matters

During the past two years, the common stock of the Company has been traded in the National Over-the-Counter market at the price ranges indicated below, and the following quarterly dividends per share have been declared as indicated:

	Range of NASDAQ System Quotations				Dividends Declared	
	1995		1994		1995	1994
	High	Low	High	Low		
First quarter	$19	$14 1/2	$19 1/2	$14 3/4	$.17	$.15 1/2
Second quarter	18	14 1/2	18 3/4	16	.17	.15 1/2
Third quarter	17 1/2	15	18 3/4	17 1/4	.17	.15 1/2
Fourth quarter	18 1/2	11	18 3/4	17 1/4	.17	.17

As of January 15, 1996, there were 1,013 shareholders of record of the Company's common stock, $1 par value, its only outstanding class of equity securities.

Copies of the Company's Form 10-K for the year ended December 31, 1995 as filed with the Securities and Exchange Commission will be provided without charge on request to Quaker Chemical Corporation, Attention: Irene M. Kisleiko, Assistant Corporate Secretary, Conshohocken, PA 19428.

EXHIBIT 21

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

Name	Jurisdiction of Incorporation	Percentage of voting securities owned directly or indirectly by Quaker
*Quaker Chemical Europe B.V.	Holland	100%
*Quaker Chemical B.V.	Holland	100%
*Quaker Chemical, S.p.A.	Italy	100%
+*Quaker Chemical Holdings UK Limited	United Kingdom	100%
*Quaker Chemical Limited	United Kingdom	100%
*Quaker Chemical S.A.	France	100%
**Quaker Chemical South Africa (Pty.) Limited	Republic of South Africa	50%
*Quaker Chemical, S.A.	Spain	100%
*Quaker Chemical, S.A.	Argentina	100%
*Quaker Chemical Industria e Comercio Ltda.	Brazil	100%
*Celumi Lubrificantes Industriais Ltda.	Brazil	90%
**Kelko Quaker Chemical, S.A.	Venezuela	50%
*Quaker Chemical Limited	Hong Kong	100%
*Wuxi Quaker Chemical Company Limited	China	60%
+*Quaker Chemical South East Asia Pte. Ltd.	Singapore	100%
**Nippon Quaker Chemical, Ltd.	Japan	50%
*Quaker Chemical (Australasia) Pty. Limited	State of New South Wales, Australia	51%
**TecniQuimia Mexicana S.A. de C.V.	Mexico	40%
+*SB Decking, Inc. (formerly Selby, Battersby & Co.)	Delaware, U.S.A.	100%
*Quaker Chemical Corporation	Delaware, U.S.A.	100%

+Quaker Chemical Management, Inc.	Delaware, U.S.A.	100%
*AC Products, Inc.	California, U.S.A.	100%
**Fluid Recycling Services Company	Michigan, U.S.A.	50%

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+ A non-operating company.

* Included in the consolidated financial statements.

** Accounted for in the consolidated financial statements under the equity method.

EXHIBIT 23

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 2-57924, No. 33-54158, and No. 33-51655) of Quaker Chemical Corporation of our report dated February 21, 1996 appearing on page 29 of the 1995 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Philadelphia, PA
March 29, 1996

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