



Quaker Chemical Announces Earnings Growth and Record Sales For Full Year and Fourth Quarter 2002

February 21, 2003

CONSHOHOCKEN, Pa., Feb 20, 2003 /PRNewswire-FirstCall via COMTEX/ -- Quaker Chemical Corporation (NYSE: KWR) today announced record annual and fourth quarter sales and improved earnings for both periods ending December 31, 2002. Net sales for 2002 were \$274.5 million, up 9% from the prior year, and for the fourth quarter were \$71.9 million, up 23% from the fourth quarter of 2001. For the year 2002, earnings were \$1.51 per diluted share compared to \$0.84 per diluted share in 2001. Earnings for the fourth quarter of 2002 were \$0.46 per diluted share compared to a loss of \$0.17 per diluted share in the fourth quarter of 2001. Results for the fourth quarter and full year 2001 included special items relating primarily to restructuring charges and an additional provision for doubtful accounts. Excluding the special items, 2001 earnings for the fourth quarter and full year were \$0.20 per diluted share and \$1.49 per diluted share, respectively. The 2002 full year and fourth quarter earnings were consistent with previous Company guidance.

Ronald J. Naples, Chairman and Chief Executive Officer, stated, "All things considered, we feel good about 2002. In a continued difficult worldwide economic environment, our earnings were up, albeit at a rate below our long-term goals, and we continued to position and prepare the Company for industry leadership in an integrated global world. We delivered on the sequential quarterly earnings improvements we projected through the year and reached record sales; we maintained our strong balance sheet; we made a couple of accretive acquisitions. Earnings in 2002 showed growth over the prior year not only on a reported basis, but even with the effect of the 2001 special items stripped out. This is important because one of our primary goals is consistent year-over-year earnings growth, something we've achieved over the past seven years with the sole exception of an extraordinary 2001."

Full Year 2002

Net sales for 2002 were a record \$274.5 million, or 9% over 2001 net sales of \$251.1 million. The United Lubricants and Epmar acquisitions, as well as the purchase of a controlling interest in the Company's South African joint venture, provided a year-over-year increase in net sales of approximately \$20 million. Currency fluctuations negatively impacted net sales by 2%. Absent the acquisitions and currency fluctuations, net sales increased by 3% with all four regions of the world showing growth. SG&A expenses (excluding the 2001 special items) increased primarily due to the noted acquisitions, as well as higher pension, insurance, and other administrative expenses.

Earnings for 2002 were \$14.3 million, or \$1.51 per diluted share, up 80% over 2001 earnings of \$7.7 million, or \$0.84 per diluted share. Results in 2001 were negatively impacted by \$8.6 million in special items primarily related to two plant closings in Europe and an additional provision for doubtful accounts. Absent the special items, 2001 earnings would have been \$1.49 per diluted share. Acquisitions in 2002 were accretive to earnings by approximately \$0.06 per diluted share.

Fourth Quarter 2002

Fourth quarter 2002 net sales were a record \$71.9 million, up 23% from the fourth quarter of 2001. Approximately one-half of this increase was due to the 2002 United Lubricants and Epmar acquisitions, as well as the purchase of a controlling interest in the Company's South African joint venture. Net sales in all four regions of the world showed 9% or higher increases on a local currency basis. However, currency fluctuations negatively impacted consolidated U.S. dollar sales by 1%. SG&A expenses (excluding the 2001 special items) increased primarily due to the noted acquisitions, as well as higher pension, insurance, and other administrative expenses such as the Company's ERP implementation.

Earnings for the fourth quarter of 2002 were \$4.4 million or \$0.46 per diluted share. This represents a 130% increase over fourth quarter 2001 earnings of \$0.20 per diluted share, excluding special items. In the fourth quarter of 2001, special items of \$4.9 million were made relating primarily to restructuring charges and an additional provision for doubtful accounts. Including the special items, the Company incurred a loss of \$0.17 per diluted share for the fourth quarter of 2001.

Balance Sheet and Cash Flow Items

In the fourth quarter of 2002, debt levels were reduced 37% to \$28.8 million. The debt-to-total capital ratio as of December 31, 2002, was 25%, down from 35% at September 30, 2002.

Working capital reduction was a major initiative in 2002. The Company measures working capital as a percent of sales. At December 31, 2002, this ratio was 17.8% compared to 20.1% at the end of 2001. The working capital reduction initiatives generated approximately \$6 million of cash in 2002 on a constant sales level basis.

In 2002, capital expenditures were \$10.8 million, and spending on acquisitions was \$21.3 million.

Shareholders' equity increased \$2.3 million and \$7.2 million from September 30, 2002, and December 31, 2001, respectively, despite a non-cash charge to equity of \$4.3 million due to declines in the asset value of the Company's defined benefit pension plans.

2003 Outlook

In 2003, net sales are projected to continue to grow. The Company expects to see higher raw material prices and higher SG&A expenses related to pension, insurance, and its ERP implementation. These items alone are expected to reduce diluted earnings per share by approximately \$0.35,

despite which the Company projects earnings growth in 2003.

Mr. Naples stated, "The global business environment as we enter 2003 is still uncertain, which puts pressure on industrial production demand. In addition, the rise in crude oil prices is expected to negatively impact our raw materials prices, especially in the short term. These factors and geopolitical risk make forecasting more difficult than usual. Our 2003 plans call for solid year-over-year earnings improvement versus 2002. For the first quarter of 2003, we expect earnings to be higher than the first quarter 2002, but below our fourth quarter 2002 due to the increased costs previously noted, as well as seasonal demand factors."

Mr. Naples continued, "Our management team remains convinced that our key strategic imperatives of selling value rather than simply fluids, operating as a globally integrated enterprise, and harnessing our global knowledge will bring unique value to our customers and continue to increase our differentiation from competitors. Our 2003 plans project continued penetration in our core steel and metalworking markets to help overcome higher costs and generate earnings growth. Also, it is our expectation that our strong balance sheet and good cash flow generation will enable us to continue to grow the Company through acquisitions and still maintain our record of annual dividend increases, which is now at 30 years."

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

This release contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Such risks and uncertainties include, but are not limited to, further downturns in our customers' businesses, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, a conflict in Iraq, and future terrorist attacks such as those that occurred on September 11, 2001.

As previously announced, Quaker Chemical's investor conference to discuss fourth quarter and full year 2002 earnings results is scheduled for February 21, 2003, at 2:30 p.m. (ET). Access the conference by calling 800-922-0755 or visit Quaker's Web site at <http://www.quakerchem.com> for a live webcast.

Quaker Chemical Corporation
Condensed Consolidated Statement of Operations
For the period ended December 31,

Dollars in thousands, except per share data

	(Unaudited)		Twelve Months	
	Three Months ended December 31,		ended December 31,	
	2002	2001	2002	2001
Net sales	\$71,869	\$58,272	\$274,521	\$251,074
Cost of goods sold	43,010	35,293	162,944	150,045
Gross	28,859	22,979	111,577	101,029
%	40.2%	39.4%	40.6%	40.2%
Selling, general and administrative - Note A	21,604	21,803	87,604	80,984
Restructuring - Note B	--	2,896	--	5,854
Operating income	7,255	(1,720)	23,973	14,191
%	10.1%	(3.0%)	8.7%	5.7%
Other income (expense), net	(59)	399	1,135	1,089
Interest expense, net	(43)	(131)	(790)	(850)
Income (loss) before taxes	7,153	(1,452)	24,318	14,430
Taxes on income (loss)	2,289	(450)	7,782	4,473
	4,864	(1,002)	16,536	9,957
Equity in net income (loss) of associated companies	(19)	(127)	295	613
Minority interest in net income of subsidiaries	(431)	(449)	(2,534)	(2,905)
Net income (loss)	\$4,414	\$(1,578)	\$14,297	\$7,665
%	6.1%	(2.7%)	5.2%	3.1%
Per share data:				
Net income (loss) - basic	\$0.48	(\$0.17)	\$1.56	\$0.85
Net income (loss) - diluted	\$0.46	(\$0.17)	\$1.51	\$0.84
Shares Outstanding:				
Basic	9,238,138	9,129,566	9,171,720	9,053,672
Diluted	9,503,266	9,129,566	9,473,914	9,113,689

A - 2001 includes an additional provision for doubtful accounts primarily related to the poor financial condition of certain U.S. steel customers which filed for bankruptcy protection, an additional environmental reserve, and other organizational structure costs totaling \$2,050 and \$2,767 for the fourth quarter and full year, respectively. Upon adopting SFAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, the Company no longer amortizes goodwill. The Company recorded goodwill amortization of \$244 or \$0.02 per diluted share and \$1,004 or \$0.08 per diluted share for the three and twelve months ended December 31, 2001, respectively.

B - Includes facility rationalization, severance, and abandoned acquisition-related costs totaling \$2,896 and \$5,854 for the fourth quarter and full year 2001, respectively.

Quaker Chemical Corporation
Operating Income (Loss) and Earnings (Loss) Per Share
Reconciliation
For the period ended December 31,

	Unaudited			
	Dollars in thousands except			
	per share data			
	Fourth Quarter		Twelve Months	
	2002	2001	2002	2001
Operating Income (Loss)				
Operating income (loss), as reported	\$7,255	\$(1,720)	\$23,973	\$14,191
Special items:				
Restructuring				
Facility rationalization	--	575	--	2,613
Severance	--	2,124	--	2,644
Costs related to abandoned acquisitions	--	197	--	597
Additional provision for doubtful accounts - Note A	--	1,550	--	2,000
Organization structure	--	--	--	267
Environmental reserve	--	500	--	500
	--	4,946	--	8,621
Operating income, excluding special items	\$7,255	\$3,226	\$23,973	\$22,812
Earnings (Loss) Per Share - Diluted				
Earnings (loss) per share, as reported	\$0.46	\$(0.17)	\$1.51	\$0.84
Special items:				
Restructuring				
Facility rationalization	--	0.04	--	0.20
Severance	--	0.16	--	0.20
Costs related to abandoned acquisitions	--	0.01	--	0.04
Additional provision for doubtful accounts - Note A	--	0.12	--	0.15
Organization structure	--	--	--	0.02
Environmental reserve	--	0.04	--	0.04

	--	0.37	--	0.65
Operating income, excluding special items	\$0.46	\$0.20	\$1.51	\$1.49

A - Primarily related to the poor financial condition of certain U.S. steel customers which filed for bankruptcy protection.

Quaker Chemical Corporation
Condensed Consolidated Balance Sheet

	December 31, 2002	December 31, 2001*
ASSETS		
Current assets		
Cash and cash equivalents	\$13,857	\$20,549
Accounts receivable, net	53,353	44,787
Inventories, net	23,636	18,785
Deferred income taxes	5,874	4,031
Prepaid expenses and other current assets	6,953	4,778
Total current assets	103,673	92,930
Property, plant and equipment, net	48,512	38,244
Goodwill	21,927	14,960
Other intangible assets	5,852	1,442
Investments in associated companies	9,060	9,839
Deferred income taxes	10,609	9,085
Other assets	14,225	13,166
Total Assets	\$213,858	\$179,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$12,205	\$2,858
Accounts payable	27,461	18,323
Dividends payable	1,962	1,873
Accrued compensation	10,254	8,109
Other current liabilities	14,262	14,343
Total current liabilities	66,144	45,506
Long-term debt	16,590	19,380
Deferred income taxes	1,518	1,233
Accrued pension and postretirement benefits	28,723	19,239
Other noncurrent liabilities	5,166	4,973
Total liabilities	118,141	90,331
Minority interest in equity of subsidiaries	7,662	8,436
Commitments and contingencies	--	--
Shareholders' Equity		
Common stock \$1 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares	9,664	9,664
Capital in excess of par value	626	357
Retained earnings	110,448	103,953
Unearned compensation	(1,245)	(1,597)
Accumulated other comprehensive (loss)	(27,078)	(24,075)
	92,415	88,302
Treasury stock, shares held at cost:		
2002 - 324,109, 2001 - 526,865	(4,360)	(7,403)
Total shareholders' equity	88,055	80,899
	\$213,858	\$179,666

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

Quaker Chemical Corporation
Condensed Consolidated Statement of Cash Flows

	(Dollars in thousands)	
	2002	2001
Cash flows from operating activities		
Net income	\$14,297	\$7,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,432	4,913
Amortization	805	1,467
Equity in net income of associated companies	(295)	(613)
Minority interest in earnings of subsidiaries	2,534	2,905
Deferred income taxes	328	(627)
Deferred compensation and other postretirement benefits	35	201
Environmental charge	--	500
Restructuring charge	--	5,854
Pension and other, net	1,524	(695)
Increase (decrease) in cash from changes in current assets and current liabilities:		
Accounts receivable, net	(657)	7,573
Inventories	(3,101)	2,762
Prepaid expenses and other current assets	(194)	39
Accounts payable and accrued liabilities	7,107	(6,603)
Change in restructuring liabilities	(2,156)	(1,123)
Estimated taxes on income	(1,261)	(1,614)
Net cash provided by operating activities	24,398	22,604
Cash flows from investing activities		
Capital expenditures	(10,837)	(8,036)
Dividends from associated companies	515	1,208
Investments in and advances to associated companies	--	95
Payments related to acquisitions	(21,285)	(1,718)
Proceeds from disposition of assets	1,682	259
Other, net	(326)	165
Net cash (used in) investing activities	(30,251)	(8,027)
Cash flows from financing activities		
Dividends paid	(7,714)	(7,410)
Net increase (decrease) in short-term borrowings		
	9,026	(56)
Repayment of long-term debt	(2,853)	(2,891)
Treasury stock issued	2,951	2,902
Distributions to minority shareholders	(2,673)	(2,335)
Other, net	--	234
Net cash (used in) financing activities	(1,263)	(9,556)
Effect of exchange rate changes on cash	424	(1,024)
Net (decrease) increase in cash and cash equivalents	(6,692)	3,997
Cash and cash equivalents at beginning of period	20,549	16,552
Cash and cash equivalents at end of period	\$13,857	\$20,549

Supplemental cash flow disclosures
Cash paid during the year for:

Income taxes	\$7,787	\$7,550
Interest	1,897	1,876

Noncash investing activities:

Contribution of property, plant & equipment to real estate joint venture	\$ --	\$4,358
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SOURCE Quaker Chemical Corporation

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